IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Customer No.	48,537
Group:	3629
Confirmation No.:	3491
Application No.:	09/850,993
Title of Invention:	PROCESS FOR ENHANCING DEVELOPMENT OF REAL ESTATE
Inventor:	Paul Estridge, Jr.
Filed:	May 9, 2001
Attorney Docket:	EDC-54
Examiner:	Naresh Vig

Certificate Under 37 CFR 1.8(a)

I hereby certify that this correspondence is being deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to Mail Stop Amendment, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450

On 6-10-2008

(Signature)

Alastair J. Warr
(Printed Name)

INVENTOR DECLARATION

We, the named inventors of the above-indicated patent application (the "Subject Application"), hereby declare as follows:

1. I have reviewed the Subject Application and the currently pending claims (the "Claims") as attached in Exhibit A, and hereby confirm that I am the inventor of the inventions set forth in the Claims. First Mile Technologies, Inc. is the sole owner of the subject application and all inventions claimed therein as evidenced by the assignment recorded at reel/frame number 014179 / 0515.

2. I conceived of the invention late in 1999. My invention relates to granting easements appurtenant before recording a plat for a single family residential community. The functionality lies in taking the legal authority to grant easements away from the developer and land owner and to grant the sole authority to grant easements to a separate legal entity such as a corporation, partnership or limited liability company. Prior to my invention I was not aware of

any other residential developer who used a legal entity that was not controlled by the developer or land owners for the purpose of granting easements to providers of services such as, but not limited to, cable television, telephone service, internet service, electricity, gas, or other utilities. My invention is not limited to typical bundled television/telephone/internet access services.

3. Invention documentation including a memorandum entitled "Memorandum Regarding Private Placement" ("Memorandum") and including a date of March 2001 is attached hereto in Exhibit B. Based on this Memorandum, the Applicant sought substantial financial investments. Applicant received funding of more than $100,000 to further develop the inventions described in the appended claims.

4. Between the dates of January 2000 and October 10, 2000, the Invention and/or the Memorandum continued to be revised and refined. The Invention and the Memorandum were submitted to Applicant's legal counsel (the "Outside Counsel") on or about October 10, 2000.

5. A draft of the present application was received from Outside Counsel on or about February 9, 2001.

6. The Subject Application was revised through communications between myself and Outside counsel and then filed on May 9, 2001.

7. The Memorandum summarizes problems addressed by one or more of the inventions of the Claims in section I, (b), on pages 2-4.

8. All non-inventors that received invention information were under an obligation not to disclose such information and/or received such information less than a year before filing the Present Application.

9. Until the time of my invention, the accepted industry standard for residential real estate developers included what is known in the industry as over-building as referenced on page 2 of the Hayes reference cited by the examiner. Over-building is premised on the concept that the industry standard in 2000 was to grant easements to land owners and/or utility providers. The land owner, after acquiring fee simple title to the real estate, had sole legal right to grant additional easement rights. For example, the developer would grant an easement to a water company within a detailed portion of the real estate. After title transfers from the developer to

the land owner, the land owner had the right to grant subsequent easements. For example, the land owner could grant easement rights to a bundled internet service provider who would then install fiber optic cable lines over the existing easement rights granted by the developer to the water company.

10. By using my invention, the land owner does not have the subsequent rights to grant easements as such rights have been previously granted to a separate entity. That separate entity can then prohibit or restrict incumbent service providers, such as a cable company, from accessing the development unless the incumbent service provider can satisfy predetermined standards of service.

11. The Hayes reference discussed technology services but does not discuss the real estate methodology described in the claims that are my invention. For example, Hayes suggests that 87% of residential builders did not at that time appreciate the value of using fiber optic wiring in the homes they were building. Hayes does not disclose the methodology that is necessary for a real estate developer to do what is described in this Declaration.

12. The novelty in my invention exists at least in part in the holding back of the legal right to grant easements in a separately owned company for the purpose of allowing that separately owned company to create competition among service providers and to increase the standards of service to be provided to the home owners in the development. I am not aware of my methodology being used before I conceived of the idea. The commercial value in my invention also comprises the fact that the developer can represent to its customers that the separately owned entity will have the exclusive right to negotiate and obtain services as described herein according to standards higher than that which the individual home owners could reasonably anticipate being able to secure.

13. The undersigned, being hereby warned that willful false statements and the like are punishable by a fine or imprisonment, or both (18 USC §1001), and may jeopardize the validity of the application or any patent issuing thereon, declares that all statements made of his or her own knowledge are true and that all statements made on information and belief are believed to be true.

Date: 6/5/08

Paul E. Estridge, Jr.

Pending Claims – Exhibit A

Claim 1 (Previously presented). A process for developing real estate, comprising the steps of: separating private easements for the provision of common services in a developed community from dedicated public rights-of-way; establishing one or more decision making authorities/access entities to control said private easements as privately owned entities separate from individual lot owners in said developed community and to identify and contract with various service providers; precluding access to said private easements by individual lot owners in said developed community and governmental franchisees for providing said common services; and providing said common services to said developed community through said one or more decision making authorities/access entities, said one or more decision making authorities/access entities obtaining common services from one or more common services providers, respectively.

Claim 2 (Previously Presented). The process of claim 1 wherein said separating step comprises the steps of: acquiring fee simple ownership in a parcel of real estate for developing into a community; transferring exclusive rights in and to said common services easements within said parcel to said at least one decision making authority/access entity; and dedicating public rights-of-way for roadways, curbs, and sidewalks to a municipality, said dedicated public rights-of-way being taken by said municipality subject to said exclusive rights, said municipality having no control over common services access as a result of said dedicated public rights-of-way, said common services providers having acquired rights through said municipality having no access to said community.

Claim 3 (Previously Presented). The process of Claim 2 wherein said exclusive rights comprise in gross easements and specific area easements.

Claim 4 (Original). The process of Claim 2 wherein said exclusive rights comprise specific area easements, and wherein any other easements for providing common services within said developed community are restricted by declarations, covenants and restrictions governing and running with said parcel of real estate.

Claims 5-7 (Cancelled)

Claim 8 (Previously Presented). The process of Claim 2 further comprising the step of recording said transferring of said exclusive rights with an appropriate governmental real estate records office before said dedicating step, said common services easements appearing within the chain of title of said parcel before said dedication of said public rights-of-way and said municipality takes said dedication subject to said exclusive rights.

Claim 9 (Original). The process of Claim 2 wherein said common services comprise one or more services selected from the group of services consisting of: cable services, internet services, intranet services, local telephone services, long distance telephone services, video-on-demand services, and security monitoring services.

Claim 10 (Original). The process of Claim 2 wherein said common services comprise one or more services selected from a group of deregulated utility services consisting of: sewer services, water services, gas services, and electricity services.

Claim 11 (Original). The process of Claim 2 wherein each step is performed pursuant to obligations arising out of a system of interrelated contractual requirements regarding the development of said community.

Claim 12 (Previously Presented). The process of Claim 1 further comprising: implementing a fee structure that encourages the owner of said private common services easements to enter into and maintain license arrangements that permit at least one licensee to utilize said private common services easements for providing common services to said community; said license arrangements providing a competitive shield for establishing said licensees as preferred sources of common services for said community.

Claims 13-18 (Cancelled)

Claim 19 (Previously Presented). The process of Claim 12 wherein said license arrangement permit said licensee to sublicense use of said private easements to individual providers of services included in said common services.

Claim 20 (Previously Presented). The process of Claim 1 further comprising entering into a license arrangement with a decision making authority/access entity that owns and controls at least some of the common services easements of a parcel of real estate to be developed as a community, said license arrangement permitting access to and utilization of said easements; and utilizing said easements for providing common services to said community; wherein owners of lots within said community contract with a single source provider for the provision or coordination of said common services.

Claim 21 (Previously Presented). The process of Claim 20 wherein said decision making authority/access entity has beneficial and exclusive ownership of and control over all access to said common services easements within said developed community.

Claim 22 (Previously Presented). The process of Claim 21 wherein said beneficial and exclusive ownership of and control over said access to said common services easements is created by a process which comprises the steps of: acquiring fee

simple ownership in a parcel of real estate for developing into a community; transferring exclusive rights of said common services easements in said parcel to at least one said access entity; and dedicating public rights-of-way of said parcel for roadways, curbs, and sidewalks to a municipality, said dedicated public rights-of-way being taken by said municipality subject to said exclusive rights, said municipality having no control over common services access as a result of said dedicated public rights-of-way, and said common services providers having acquired rights through said municipality having no access to said community.

Claim 23 (Original). The process of Claim 20 wherein said common services are provided to a plurality of lots in said community over fewer than three cables.

Claim 24 (Original). The process of Claim 23 wherein said cables are of a type selected from the group of cables consisting of co-axial and fiber optic cables.

Claim 25 (Original). The process of Claim 20 wherein said license arrangement permits said single source provider to sublicense utilization of said easements to a plurality of individual providers of services included in said common services.

Claim 26 (Previously Presented). The process of Claim 25 wherein at least one of said individual service providers is a wholly owned subsidiary of said single source provider.

Claim 27 (Original). The process of Claim 25 wherein said individual providers provide said common services to said single source at a central receiving facility wherefrom said single source distributes said common services to a plurality of lots in said community.

Claim 28 (Original). The process of Claim 20 wherein said common services comprise one or more services selected from the following group of services consisting of: cable services, internet services, intranet services, local telephone services, long distance telephone services, video-on-demand services, and security monitoring services.

Claim 29 (Original). The process of Claim 20 wherein said common services comprise one or more services selected from a group of deregulated utility services consisting of: sewer services, water services, gas services, and electricity services.

Claim 30 (Previously Presented). The process of Claim 20 wherein said common services comprise advanced bundled telecommunication services.

Claim 31 (Previously Presented). The process of Claim 20 wherein said common services comprise premium advanced bundled telecommunication services.

Claim 32 (Original). The process of Claim 20 wherein said license arrangement is entered into pursuant to obligations arising out of a system of interrelated contractual requirements regarding the development of said community.

Claim 33 (Previously Presented). The process of Claim 1 wherein said separating step comprises: acquiring fee simple title in a parcel of real estate by a developer; separating in gross common services easements from said fee simple title; separating the public right-of-way from said common services easements and said fee simple title; separating all other easements from said common services easements and from said public right-of-way and from said fee simple title; transferring at least one of said common services and all other easements to a privately owned company for a fee; and dedicating said public right-of-way to the public; said public right-of-way being dedicated subject to said common services and all other easements previously transferred

to said privately owned company thereby eliminating public control over said transferred easements and all public rights to access to said parcel for providing common services.

Claim 34 (Original). The method of Claim 33 wherein said steps further comprise said privately owned company constructing utility conduits on said parcel in accordance with said easements licensed to said company, said privately owned company sub-licensing service providers for a fee to provide common services to owners of any portion of said parcel, and said privately owned company allowing said sub-licensed common services providers to use said conduits.

Claim 35 (Original). The method of Claim 33 wherein said common services providers provide one or more common services to owners of portions of said parcel selected from the group of services consisting of cable services, internet services, intranet services, local telephone services, long distance telephone services, video-on-demand services and security monitoring services.

Claim 36 (Original). The method of Claim 33 wherein said common services providers provide one or more common services to owners of portions of said parcel selected from the group of deregulated utility services consisting of sewer services, water services, gas services, and electricity services.

Claim 37 (Original). The method of Claim 33 wherein said fee is proportioned and passed on to said private company by said service providers.

Claim 38 (Original). The method of Claim 37 wherein said fee is proportioned and passed on to the owner of said privately owned company.

Claim 39 (Original). The method of Claim 38 further comprising the steps of said owner of said privately owned company developing a market plan for selling portions of

said parcel by a developer, and said owner engaging in the training of said developer in marketing portions of said parcel.

Claim 40 (Original). The method of Claim 39 further comprising the steps of said developer contracting the construction of roads, other common infrastructure, homes on individual portions of said parcel, and the construction on said parcel and the development of said parcel.

Claim 41 (Original). The method of Claim 34 wherein said privately owned company manages all of said sub-licensed service providers.

Claim 42 (Previously Presented). The method of Claim 1 wherein said common services are provided to developed community through a single source.

Claim 43 (Previously Presented). The process of Claim 12 wherein said license agreements provide common services for said community through a single source.

Claim 44 (Previously Presented). The process of Claim 2 wherein said transferring step includes examining the recorded title documents relating to said parcel of real estate to determine what easements, reversions and other property rights exist that said parcel of real estate is subject relating to access by a common service provider to said parcel, and determining that no such easements, reversions or other property rights exist or otherwise relieving said parcel of real estate of said property rights prior to defining exclusive rights in and to said common service easements within said parcel of real estate and transferring said exclusive rights to said access entity.

Claim 45 (Previously Presented). The process of Claim 2 wherein said dedication of said public rights-of-way for roadways, curbs, and sidewalks consists of the dedication

of only surface rights for roadways, curbs, and sidewalks with the sub-surface rights being reserved and maintained as common areas.

Claim 46 (Cancelled)

Claim 47 (Previously Presented). The process of Claim 2 wherein said exclusive rights are transferred by said transferring step in gross.

Claim 48 (Previously Presented). The process of Claim 22 wherein said transferring step includes examining the recorded title documents relating to said parcel of real estate to determine what easements, reversions and other property rights exist that said parcel of real estate is subject with regard to access by a common service provider to said parcel, and determining that no such easements, reversions or other property rights exist or otherwise relieving said parcel of real estate of said property rights prior to defining exclusive rights in and to said common service easements within said parcel of real estate and transferring said exclusive rights to said access entity.

Claim 49 (Previously Presented). The process of Claim 22 wherein said dedication of said public rights-of-way for roadways, curbs, and sidewalks consists of the dedication of only surface rights for roadways, curbs, and sidewalks with the sub-surface rights being reserved and maintained as common areas.

Claim 50 (Previously Presented). The process of Claim 22 wherein the exclusive rights in and to said common areas are transferred to a lot owners association.

Claim 51 (Previously Presented). The process of Claim 22 wherein said exclusive rights are transferred in gross.

Claim 52 (Previously Presented). The process of Claim 27 wherein said single source distributes said common services to a plurality of lots in said community through a computer network.

Claim 53 (Previously Presented). The process of Claim 33 wherein said transferring step includes examining the recorded title documents to said parcel of real estate to determine what easements, reversions and other property rights that said parcel of real estate is subject relating to access to said parcel of real estate by a common service provider, and determining that no such easements, reversions or other property rights exist or otherwise relieving said parcel of real estate from said property rights prior to defining exclusive rights in and to said common service easements within said parcel of real estate and transferring said exclusive rights to said access entity.

Claim 54 (Previously Presented). The process of Claim 33 wherein said dedication of said public rights-of-way for roadways, curbs, and sidewalks consists of the dedication of only surface rights for roadways, curbs, and sidewalks with the sub-surface rights being reserved and maintained as common areas.

Claim 55 (Previously Presented). The process of Claim 33 wherein said easements in and to said common areas are transferred to a lot owners association.

Claim 56 (Previously Presented). The process of Claim 33 wherein said easements are transferred in gross.

Claims 57-58 (Cancelled).

Claim 59 (Previously Presented). The process of Claim 2 further comprising said access entity licensing a service provider for the provision of services to said developed community.

Claims 60-67 (Cancelled).

Claim 68 (Previously Presented). The process of Claim 1 wherein said common services comprise one or more services selected from the group of services consisting of: cable services, internet services, intranet services, local telephone services, long distance telephone services, video-on-demand services, and security monitoring services.

Claim 69 (Previously Presented). The process of Claim 1 wherein said common services comprise one or more services selected from a group of deregulated utility services consisting of: sewer services, water services, gas services, and electricity services.

Claim 70 (Previously Presented). The process of Claim 1 wherein each step is performed pursuant to obligations arising out of a system of interrelated contractual requirements regarding the development of said community.

Claim 71 (New). A method comprising:

identifying and purchasing a parcel of real estate;

creating a developed community including individual lots for sale to one or more lot owners, common areas, and easements;

segregating easements for common services from easements for public rights-of-way;

dedicating said easements for public rights-of-way to a municipality/government entity;

establishing private control over easements for common services through one or more decision making authorities/access entities, said one or more decision making authorities being separate from said lot owners and municipality/government entity; and

providing common services to individual lot owners through said one or more decision making authorities/access entities.

Claim 72 (New). The method of claim 71, further comprising the step of: licensing right to provide one or more common services to providers of said one or more common services.

Claim 73 (New). The method of claim 71, wherein said common services include at least one of sewer services, water services, gas services, electricity services, cable services, internet services, intranet services, local telephone services, long distance telephone services, video-on-demand services, and security monitoring services.

Claim 74 (New). The method of Claim 71, wherein said dedication of said public rights-of-way for roadways, curbs, and sidewalks consists of the dedication of only surface rights for roadways, curbs, and sidewalks with the sub-surface rights being reserved and maintained as common areas.

Confidential

PRIVATE PLACEMENT MEMORANDUM

FirstMile
TECHNOLOGIES

March 2001

JMP
Jolson Merchant
Partners

VM EQUITY PARTNERS, INC.

EXHIBIT

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Memorandum No. 40

NOTICE TO RECIPIENTS

Confidential Information Memorandum

This Confidential Offering Memorandum (the "Memorandum") has been prepared and is being released subject to a Confidentiality Agreement to you and a limited number of other parties solely to provide information regarding the specific transaction with FirstMile Technologies, Inc. ("FirstMile" or the "Company") contemplated hereby. By accepting this Memorandum, the recipient agrees that it will not use the information in the Memorandum for any purpose other than to evaluate the proposed transaction.

Jolson Merchant Partners ("JMP") has been retained by the Company as its exclusive financial advisor in connection with the contemplated private offering of its securities to select investors (the "Offering"). JMP will receive a fee from the Company for services in assisting the Company in consummating the Offering.

This Memorandum contains information that is non-public, confidential or proprietary in nature concerning FirstMile. It may not be reproduced or redistributed, in whole or in part, nor may its contents be disclosed to any person other than the parties to whom it is submitted. Upon the request of JMP, the recipient will return to JMP all documents furnished by or on the behalf of the Company or JMP to the recipient concerning this transaction, which have not theretofore been destroyed or returned to the Company or JMP directly.

All information contained herein has been supplied to JMP by the Company. The information is of a summary nature and is not represented to be complete. JMP has not independently verified any of the information contained in the Memorandum. JMP makes no representations or warranties as to the accuracy or completeness of the information contained in the Memorandum or in any other oral or written communication transmitted to the recipient in the course of its evaluation of FirstMile.

This Memorandum contains statements that constitute forward looking statements. Those statements appear in a number of places in this Memorandum and may include projections of financial condition or operating performance and statements regarding the intent, belief or current expectations of FirstMile with respect to (i) future results of operations, (ii) plans and expectations regarding future services and operations of FirstMile, (iii) the policies of FirstMile regarding capital expenditures, financing or other matters, and (iv) general industry and business conditions applicable to FirstMile. You are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those in the forward looking statements as a result of various factors including the factors discussed in the Risk Factors section of this Memorandum.

Investment in the securities offered hereby involves a high degree of risk and immediate and substantial dilution. These securities are highly speculative and should only be purchased by persons who can afford to lose their entire investment. See "Risk Factors."

The securities offered hereby are to be purchased for investment only and not with a view to subsequent transfer or resale. When sold pursuant to this Offering the securities will be "restricted securities" under the Securities Act of 1933 (the "Act"), as amended, and thus subject to substantial limitations on resale or other transfer. The securities may not be transferred or resold except as permitted under the act, and any applicable state laws, pursuant to registration or exemption therefrom. Subscribers, therefore, should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The United States Securities and Exchange Commission does not pass upon the merits of or give approval to any securities offered hereby or the terms of the Offering, nor does it pass upon the accuracy or completeness of this Memorandum or other selling literature distributed in connection with this Offering.

The securities are offered by the Company pursuant to exemptions from registration requirements of the Act and applicable state securities laws. These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission passed on the adequacy of this Memorandum or made an independent determination that the securities offered hereunder are exempt from registration. Any representation to the contrary is a criminal offense.

The Company reserves the right to withdraw, cancel or modify the offer made hereby and to reject subscriptions in whole or in part for the purchase of any of the securities offered. In addition, the right is reserved to cancel any sale if such sale, in the opinion of the Company, would violate federal or state securities laws.

Offerees and subscribers are urged to read this document, including all attachments, carefully. All offerees and subscribers will be offered an opportunity to talk with representatives of the Company to verify any of the information included herein and to obtain additional information regarding the Company. The delivery of this Memorandum, including, without limitation, the attachments or any other materials available on request at any time, does not imply that there has been no change in the information since the date hereof.

Except as herein discussed, no person has been authorized by the Company to give any information or to make any representation concerning the Company other than those contained in this document in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Company. In making an investment decision, subscribers must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved.

This Memorandum represents only a brief synopsis of FirstMile and the proposed Offering. This Memorandum is for informational purposes only. It is contemplated that the investors will perform substantial due diligence of the Company. The only representations and warranties of the Company will be contained in the purchase agreement relating to this Offering. The terms of this Offering may be subject to change. No sale may be made without the investor completing and executing the purchase agreement and signature page.

JMP will act as primary contact, and all communications and inquiries relating to the information contained in this Memorandum or to the proposed Offering should be directed solely to following individuals:

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EXECUTIVE SUMMARY

OVERVIEW

FirstMile Technologies, Inc. ("FirstMile", "FMT" or the "Company") is an integrated home services provider. It utilizes its unique communications and entertainment platform to service both homebuilders and new home customers in the single-family new residential home market. The Company's strategy is to penetrate the new home market by (i) delivering a full suite of bundled services to the new home buyer, including local phone, long distance, cable television entertainment, digital video on demand, high speed data/Internet access, community Intranet and security monitoring, (ii) building a complete high-speed local area network within each residential development served that can provide for a comprehensive offering of products and services, and (iii) developing long-term customer relationships with a focused sales and marketing effort and superior customer service. Other products and services in development include resold electric power, natural gas, water, e-commerce and other home property maintenance services.

The FirstMile new home solution is unique in the telecommunications and home services world in that it captures customers at the time of home purchase, the critical point at which service decisions are made and before other providers can reach the consumer. Bundled services and the Company's low cost network infrastructure offer competitive individual service rates and provide the vehicle to drive high penetration and a high return on investment. By owning a community's technology infrastructure, FMT acts as the local phone, cable and video provider and Internet service provider. Broadband Internet access is offered at 1.5 Mb/s (and faster as technology advances) and is provided as an always on service. Future value-added services include streaming media, virtual private networks, voice over IP and audio and video conferencing.

FirstMile has been highly successful in developing strategic partnerships with and obtaining investments from homebuilders and telecommunications equipment suppliers.

- The Company has executed strategic partnerships with and obtained investments from four out of the five largest homebuilders in the United States.
- The Company has executed a strategic partnership with and obtained an investment from Nortel Networks, a premier telecommunications provider.

As of January 2001, 167 homes had been connected in the first community that FirstMile had entered, Centennial in Indianapolis, Indiana. In this development, the Company has achieved 100% penetration rate for voice services, 92% for cable services and 73% for high-speed Internet access, with total revenues of approximately $180 per home on a monthly basis. As of February 2001, FirstMile had signed commitments to provide services for 37,183 homes, is in contract negotiations with developments representing an additional 4,663 homes, and is discussing opportunities with developers/builders representing another 43,211 homes. These contracts will bring FirstMile's service offering into the Dallas, Denver and Tampa markets. The Company has evaluated an additional 32 markets that fit its criteria for a rollout. As of December 2000, the Company employed 11 people, four in the corporate office and seven in operations and technical support.

BUSINESS STRATEGY

The Company's strategy is to create an ongoing revenue stream from homeowners by capturing a significant portion of the revenue that flows out of the home. FMT's strategy is to "own" the first mile out of the home. To execute this strategy, the Company intends to:

- Partner with developers/builders via a unique, powerful and proprietary "land use" legal strategy for the ownership of technology rights in a new development.
- Bundle the most technologically advanced services at competitive prices, typically cheaper than incumbent a la carte services, for new homeowners.
- Capture high penetration rates because FirstMile catches the customer at the time of their home purchase, the critical time at which service decisions are made.
- Develop sources of continuing revenue not only for itself, but also the developer/builder, providing the Company the opportunity to buildout other communities of the particular developer/builder partners.
- Own/manage a network platform, connecting customers directly to the Internet.
- Drive high revenue per customer by bundling broadband Internet access with voice, video and other value-added services.
- Introduce community web portals to extend the "stickiness" of customer relationships, potentially creating recurring e-commerce revenues for the Company.
- Pursue strategic combinations and relationships that strengthen the Company's market position, enhance its services and expand its revenue base.

MARKET OPPORTUNITY

FirstMile's business plan overlaps three distinct industries, the single-family homebuilding industry, the cable television entertainment industry and the telecommunications industry. The Company believes there is an enormous opportunity to exploit these markets with a convergent technology solution for new single-family homes. The Company has targeted the new single-family homebuyer as it believes this market has the highest potential spend on new services and is the least committed to incumbent providers. In addition, FirstMile targets the new homebuyer due to its ability to provide this customer with a unique technological solution at the critical point in the decision process.

FirstMile's market opportunity starts through the homebuilding industry. The industry is very large, with approximately 900,000 new homes sold in 2000 at an average price of $205,700. Approximately 1.2 million new single-family home permits were issued in the year 2000, with the number of new home starts reaching approximately the same level.

A vast majority of the current network infrastructure in the United States was built to provide phone or cable TV service to a captive audience. With deregulation of the phone industry, the growth of new technologies and the evolution of the Internet, providers of these services have realized that they are converging into the same industry. This situation has created a significant demand for greater bandwidth to the home.

FirstMile will focus on offering a bundled service solution built on advanced technology to easily adapt to the changing communications and entertainment demands in the home. The target market is focused to customers purchasing new single-family homes. The overall target market is estimated at $2 billion of revenue potential per year based on the number of new single-family housing permits issued nationally multiplied by the average annual spend on home technology services. The

addressable size of FirstMile's four initial markets can be estimated at $200 million of revenue potential per year based on the number of new single-family housing permits issued in each of these markets multiplied by the average annual spend on home technology services.

ECONOMICS

The following points illustrate the solid fundamentals that FirstMile's business displays:

- Unlike "overbuilders" who are attempting to provide portions of FirstMile's bundled services to existing residential customers and target 20%-30% penetration rates in a market, FMT focuses on "greenfield" developments (*i.e.*, an undeveloped tract of land) and expects to capture 75% - 100% of the service revenue in each development.

- Network buildout is cost effective because projects are "greenfield" developments allowing for efficient design and infrastructure buildout at the same time as the project is developed.

- High penetration rates allow for centralized customer service and low overhead costs per home due to the critical mass achieved in each development.

- FMT is a CLEC and value-added reseller of services that owns its infrastructure, so a high-margin revenue stream is available with low capital expenditures after the initial buildout of the community.

- Revenue potential per home exceeds the national average because the Company has targeted higher income communities where Internet and premium entertainment/telecommunications services are in high demand.

- Initial revenues per home in Indianapolis have averaged approximately $180 per month, which is above the $140 per month that the Company initially projected.

ACCOMPLISHMENTS TO DATE

Financing to Date

In July of 1999, Nortel Networks became a strategic technology partner, and in April 2000, joined Northwood Ventures and officers of ICG Communications and Gleacher & Co in a $1,400,000 investment in the Company's first closing on its Series A Preferred. In July 2000, an additional $2,000,000 was raised in a second closing of the Series A Preferred from a targeted group of homebuilders and venture funds including Centex, Lennar, Pulte, and Encore Venture Partners, an affiliate of D.R. Horton. The Company raised $4,000,000 in a Series B Preferred round from Vectren and Northwood Ventures in October of 2000.

Real Estate

- Early 1998 – Centennial residential development, representing 900 homes, commits to using FirstMile as a bundled service provider.

- Third Quarter 2000 – Four developments representing 1,280 homes in Indianapolis commit to using FirstMile Technologies.

- November 2000 – Letter of intent/term sheets executed for 34,000 homes in the Dallas area.

- February 2001 – The Company reaches an agreement with Centex Corporation whereby FirstMile would be the bundled services provider to three Centex communities in Indianapolis representing 1,003 homes.

Operations

FirstMile has achieved the following impressive operating results:

- July 1999 – Selects a Nortel Networks technical solution for first stage of Centennial development.
- September 1999 – FirstMile begins to rollout a full suite of products and successfully sells them to new homebuyers, eventually generating an average of $180 per month in revenue.
- May 2000 – CLEC status obtained in Indiana.
- December 2000 – FirstMile selected Taqua Systems, Inc. to provide its telephone switches.
- December 2000 – Deep fiber architecture activated in the second section of Centennial development.
- January 2001 – CLEC status approved in Texas.
- January 2001 – Master Purchase Agreement signed with Nortel Networks.
- February 2001 – AllTel Information Systems awarded contract for outsourced customer care and converged billing services.
- February 2001 – Dallas general manager named.
- February 2001 – Lease agreement signed for dark fiber access to MetroXmit's Indianapolis metropolitan area backbone.

PRODUCTS AND SERVICES

FirstMile's services are bundled to offer convenience to the homeowner. By offering local and long-distance voice products in addition to video entertainment and high-speed Internet access, FirstMile provides customers a cost-effective total solution. Current service offerings include the following:

- Local Telephone Service
- Long Distance Telephone Service
- High Speed Data/Internet Service Provider Access
- Analog and Digital Entertainment
- Digital Video on Demand
- Community Intranet
- Security Monitoring

Other products and services in development include:

- E-commerce
- Resold Electricity (as regulation permits)
- Resold Water (as regulation permits)
- Resold Natural Gas (as regulation permits)
- Home Property Maintenance Services

NETWORK ARCHITECTURE

FirstMile's network is designed to utilize proven technology and to ensure that both present and future bandwidth requirements of its customers are met. The Company conducts detailed surveys of each property before it installs its network. The network is comprised of three primary components:

- The underground infrastructure or outside plant within each development served;
- The metropolitan fiber backbone that connects each development to the Network Operating Center; and
- The Network Operating Center ("NOC") that houses all of the equipment to deliver voice, data, entertainment services and connections to the outside world.

MANAGEMENT TEAM

The Company's management team consists of experienced homebuilding, telecommunications and other industry professionals with proven track records. Paul Estridge, Jr., President and Chief Executive Officer, is also the President and Chief Executive Officer of The Estridge Companies, a residential home development and building company based in Indianapolis, Indiana and has approximately 20 years of experience in the homebuilding industry. The Company's Chief Operating Officer, Mike Farmer, was president of Shape Energy Resources a joint venture between Dow Chemical and Mid-America Capital and president and general manager for Ameritech Advanced Data service and general manager of Indiana Bell's construction, installation and maintenance organization. Mark Flagg, the Company's Vice President of Business Development has been director of special projects for the Estridge Companies and worked for Marathon Oil Company for 12 years in a variety of functional areas including finance, marketing, operations, administration, and advertising. Scott Cougill, the Director of e-commerce, was a founder and president of Lightdog/Integrity Online, a filtered Internet Service Provider. Joseph Lazzara, Jr., the Director of Operations worked for GTE as East Region sales manager for the Wholesale division and as the project lead on the Telecom Act of 1996. He also was a co-founder and principal of United

Information Technologies. Tom Long, the Company's Chief Financial Officer serves as the president and is the founder of Long & Associates, P.C., a certified public accounting firm, and is founder and president of Creative Image, Inc. a specialty promotions firm.

OFFERING AND USE OF PROCEEDS

In this Private Placement, the Company contemplates raising approximately $30 million. The Company will use the net proceeds to continue the rapid expansion of the Indianapolis market, complete rollout of FMT's service offering into Tampa, Dallas and Denver markets and general corporate purposes. This capital infusion, in addition to equipment financing, is designed to enable the Company to become cash flow positive in its initial four target markets, at which point it will be in the position to fund its continued operations through internally generated cash flow.

CORPORATE INFORMATION

The Company's headquarters are currently located at 1041 West Main Street, Carmel, IN 46032 and the telephone number at that location is (317) 846-7311.

FINANCIALS

The following table sets forth summary projected financial and operating information for the fiscal years ending December 31, 2000 through 2010. The four-market rollout model assumes a total capital raise of $30 million which is estimated to be sufficient to achieve cash flow breakeven in those markets by 2003. The summary projected financial information for each of the fiscal years represents the Company's best estimates as of the date hereof and are based upon a number of assumptions and estimates that, while presented with numerical specificity and considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Company. Accordingly, all projections should be considered as estimates. Actual results will likely vary from the projections, and such variations may be material. All information in these tables should be read in conjunction with the Summary of Key Assumptions included in the Financial Overview.

Table 1: Financial Summary (Four Market Rollout – Indianapolis, Dallas, Denver and Tampa)

	Actual	Projections									
($000s)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Financials:											
Revenues	178	824	6,665	18,979	37,616	62,593	93,372	130,046	169,176	210,819	250,792
Gross Profit	(171)	176	4,629	12,456	25,031	42,963	65,238	91,215	119,510	150,267	178,017
Operating Expenses	1,967	4,095	4,925	6,114	7,756	9,756	11,912	13,845	15,662	17,379	18,908
EBITDA	(2,005)	(3,919)	(296)	6,341	17,275	33,207	53,326	77,370	103,849	132,888	159,109
EBIT	(2,137)	(4,822)	(2,170)	3,051	11,855	24,883	41,626	61,975	84,764	110,403	133,728
CapEx [1]	1,766	13,306	10,857	17,252	24,766	31,546	35,846	37,722	36,017	31,592	26,908
Growth Rates and Margins:											
Revenue Growth	NA	363.03%	708.95%	184.76%	98.19%	66.40%	49.17%	39.28%	30.09%	24.62%	18.96%
Gross Profit Margin	(95.95%)	21.36%	69.45%	65.63%	66.54%	68.64%	69.87%	70.14%	70.64%	71.28%	70.98%
EBITDA Margin	(1126.94%)	(475.65%)	(4.44%)	33.41%	45.93%	53.05%	57.11%	59.49%	61.39%	63.03%	63.44%
EBIT Margin	(1201.24%)	(585.25%)	(32.57%)	16.07%	31.52%	39.75%	44.58%	47.66%	50.10%	52.37%	53.32%
Balance Sheet Data:											
Cash (without capital contribution)	4,386	(8,528)	(16,050)	(21,678)	(22,553)	(13,881)	9,397	52,479	120,497	218,064	343,644
Total Assets	6,191	33,869	35,395	43,835	62,451	94,518	142,116	207,683	292,755	399,491	526,617
Total Debt	0	2,608	6,821	13,358	22,180	32,620	43,091	52,369	59,343	63,020	64,047
Total Shareholders' Equity	5,539	31,261	28,574	30,478	40,271	61,898	99,025	155,315	233,412	336,470	462,571
Other Operating Data:											
# Markets being served	1	1	4	4	4	4	4	4	4	4	4
Incremental # of Homes Connected	0	1,854	5,880	9,057	12,789	15,860	17,904	18,723	17,529	15,441	13,077
Accumulated # of Homes Connected	160	2,014	7,894	16,951	29,740	45,600	63,504	82,227	99,756	115,197	128,274
Average revenue per home per month	$ 183.34	$ 140.03	$ 141.71	$ 143.86	$ 146.43	$ 147.03	$ 149.41	$ 154.27	$ 158.98	$ 166.55	$ 174.15
Gross Profit per home per month	$ 131.36	$ 88.05	$ 100.04	$ 94.32	$ 97.49	$ 101.35	$ 105.14	$ 109.26	$ 113.53	$ 120.12	$ 125.13
Number of Employees	11	30	38	50	65	86	108	133	157	179	197

[1] Capex for Acted 2000 is from Sept. 1999 through December 2000

INVESTMENT CONSIDERATIONS

Large, Growing Market – Approximately 1.2 million privately owned housing units were started in 2000 and nearly 900,000 new homes were sold. FirstMile believes it can capture twenty-five percent (25%) of the new homes built in each of its four initial target markets. Furthermore, the Company believes that each year an increasing number of the nation's homebuilders will look to provide bundled communications and entertainment services to remain competitive.

Proven Provider – FirstMile Technologies is one of only a few bundled service providers focusing on the new residential home market with the capacity to economically service its clients on a proven platform.

Significant Revenue Opportunity in Underserved Market – The increasing desire of homeowners for a complete suite of services offers significant opportunity for FirstMile. For example:

- Less than 5% of new homeowners have high-speed Internet access
- Potential spend for base service revenues is greater than $150 per month
- Significant potential for value-added services such as security, resold utilities, etc.

Critical Mass Achieved With Target Market Focus – FirstMile is currently providing service to 167 homes in the Indiana market and has contracted with developments representing 37,183 homes in its first four target markets. FMT is negotiating with developments representing an additional 4,663 homes and is discussing opportunities with developers/builders representing another 43,211 homes in its first four markets.

Proven Ability to Capture Customers and Support Bundled Services – The Company has been able to capture 167 customers as of January 2001 with a penetration rate of 100% for voice services, 92% for cable services and 73% for high-speed Internet.

Technology Leader – FirstMile will incorporate proven technology in the delivery of its services. FirstMile's current solution utilizes a hybrid fiber-coaxial network architecture. To insure that the underground infrastructure is capable of adapting to future technology needs, the Company installs empty conduit in every community it serves.

Full Product Suite – The Company currently delivers a wide variety of products and services to its customers, including high speed data and Internet access, local and long distance voice service, digital entertainment and digital video on demand and other value-added services. This broad product suite enables the Company to attract customers. Currently, the Company generates an average of approximately $180 in monthly recurring revenue from its customers. The Company intends to introduce additional high-margin products to continue to attract customers. These products include home property maintenance services, e-commerce and resold utilities. The Company believes that the continued introduction of new products and services will increase average revenue per customer.

Strength of Financial/Strategic Partners – The FirstMile investor group includes venture capital firms (Northwood Ventures and Encore Venture Partners), a leading technology company (Nortel Networks), four of the five largest public home building companies (Centex Corporation, Lennar Corporation, Pulte Corporation and Encore Venture Partners, a venture capital affiliate of D.R. Horton) and one of Indiana's leading power and gas utilities (Vectren Corporation).

Management – FirstMile Technologies was founded by Paul Estridge, Jr., President and CEO of The Estridge Companies, a $100 million builder of master plan communities and custom homes in the Indianapolis market. He has built a senior management team that has telecommunications, homebuilding, marketing, and network technology experience. The Company is in the final stages of recruiting a Chief Executive Officer to lead its expansion.

Regulatory and Legal Environment – FirstMile has developed an innovative and proprietary method of separating the right to provide common services (such as cable television, high-speed Internet access, local and long distance telephone, video-on-demand, security monitoring, as well as traditional utility services such as sewer, water, gas, and electric) from undeveloped real estate prior to platting and development. The rights to grant access to provide these services are vested in an entity (the "Access Entity"), which is a real estate holding company. The rights to provide these services stem from the Access Entity's ownership of rights in real estate. The Access Entity enjoys all of the property rights and protections customarily afforded to private landowners and therefore is currently outside the purview of regulatory authorities. The Access Entity subsequently grants the non-exclusive licenses to provide service within the development.

Attractive Long Term Contracts – FirstMile exclusively targets the single-family new home development market and develops strong relationships with residential developers/builders. By targeting new developments there are no incumbent service providers or infrastructure to overbuild (a "greenfield" opportunity). FirstMile establishes a strong relationship with the developer/builder by helping them create an Access Entity and subsequently entering into long-term contractual relationships with the Access Entity, via a relationship called the Annuity Program. This strategy provides the developer/builder with a recurring gross profit stream while maximizing take rates and penetration.

Fully Funded Business Plan – The Company believes that the capital raised in this round of financing will be sufficient to fund operations and network deployment in the Company's first four target markets. This capital infusion is designed to enable the Company to become cash flow positive in these markets, at which point it will be in the position to fund its continued operations to these markets through internally generated cash flow.

THE OFFERING

HISTORY

FirstMile was founded by Paul Estridge on December 31, 1999. Subsequent to formation, the Company issued ten percent of its common stock to VM Equity Partners and its affiliates in exchange for certain financial consulting services. At the present time, FirstMile owns 100 percent of FirstMile Services, which, in turn, has three subsidiaries: FirstMile Technologies LLC/E.Com Technologies LLC, GoTown and FirstMile Entertainment Services LLC. Until April of 2000, FirstMile was funded by the Estridge Companies.

In April of 2000, the Company closed the first traunch of its first round of financing through the sale of $1,400,000 of Series A Preferred Stock to Nortel Networks, Northwood Venture Partners and certain individual investors. The second traunch of the first round of financing was closed in July of 2000 through the sale of $2,000,000 of Series A Preferred Stock to four strategic partners: Centex, Pulte, Lennar and an affiliate of D. R. Horton, Encore Venture Partners.

In October of 2000, the Company closed its second round of financing through the sale of $4,000,000 of Series B Preferred Stock to Vectren and Northwood Ventures.

SERIES C OFFERING

FirstMile is currently seeking $30 million in a Series C round of financing which will allow the Company to complete the buildout of its four target markets of Indianapolis, Dallas, Denver, and Tampa and achieve profitability. The Company will use the net proceeds to continue the rapid expansion of the Indianapolis market, complete rollout of FMT's service offering into the Dallas, Denver and Tampa markets and general corporate purposes. This capital infusion, in addition to equipment financing, is designed to enable the Company to become cash flow positive in its initial four target markets, at which point it will be in the position to fund its continued operations through internally generated cash flow.

USE OF PROCEEDS

The proceeds from the $30 million Series C financing will be used to deploy the four market buildout over the next two years. The Company estimates that $6 million will be required to complete the infrastructure buildout in Indianapolis, $19 million to complete the infrastructure buildout in the other three target markets and $5 million for general corporate purposes. The model projects a total capital need of $23 million with a $7 million cash balance held in reserve.

Source	Amount
Series C Preferred Stock	$30,000,000
Total	$30,000,000

Uses	Amount
Indianapolis Market	$6,000,000
Dallas, Denver and Tampa Markets	19,000,000
General Corporate Purposes	5,000,000
Total	$30,000,000

TERMS OF THE OFFERING

Issuer: FirstMile Technologies Inc. an Indiana corporation.

Security: Series C Convertible Preferred Stock (the "Preferred Stock").

Amount: $30,000,000.

Purchase Price: $12.00 per share (equivalent to a pre-money valuation of $21.1 million).

Liquidation Rights: Liquidation preference over the Common Stock up to the purchase price plus an amount equal to all dividends accrued and unpaid to the date fixed for distribution and no more, before any payment or distribution will be made on the Common Stock or on any Junior Stock with respect to the payment or distribution upon liquidation, dissolution or winding up.

Conversion: Convertible into one share of Common Stock.

Number of Shares: Up to 2,500,000 shares of Preferred Stock.

Shares Outstanding:

10,000,000 Authorized Common Shares
2,500,000 Authorized Preferred Voting Stock

Investor	Preferred Stock	Common Stock [1]	% Stock	Warrants	Fully Diluted Percentage
Founders Round					
Paul Estridge Jr.	-	900,000	51.18%	-	44.63%
VM Equity LLC	-	100,000	5.69%	-	4.96%
Series A 1st Round Financing ($1,400,000 @ $8 per share)					
Nortel Networks	62,500	-	3.55%	32,438 [2]	4.71%
Northwood Ventures LLC	56,250	-	3.20%	29,194 [2]	4.24%
Northwood Capital LLC	6,250	-	0.36%	3,244 [2]	0.47%
J. Shelby Bryan	25,000	-	1.42%	50,475 [2][3]	3.74%
Charles Phillips	25,000	-	1.42%	12,975 [2]	1.88%
Series A Adjoiner ($2,000,000 @ $8 per share)					
Encore Venture Partners II, LP (TX)	50,000	-	2.84%	25,950 [2]	3.77%
Encore Venture Partners II, LP (CA)	12,500	-	0.71%	6,488 [2]	0.94%
Lennar Corporation	62,500	-	3.55%	32,438 [2]	4.71%
Pulte Corporation	62,500	-	3.55%	32,438 [2]	4.71%
Centex Corporation	62,500	-	3.55%	32,438 [2]	4.71%
Series B 2nd Round Financing ($4,000,000 @ $12 per share)					
Vectren Enterprises, Inc.	166,667	-	9.48%	-	8.27%
Northwood Ventures LLC	150,000	-	8.53%	-	7.44%
Northwood Capital LLC	16,667		0.95%		0.83%
	758,334	1,000,000	100.00%	258,078	100.00%

(1) Does not include stock option plan which reserves up to 235,000 shares of Common Stock.

(2) Warrants are exercisable at $15.41 per share.

(3) Warrants exercisable at $15.41 per share equal 12,975 and warrants exercisable at $8.00 per share equal 37,500.

Ranking: The Preferred Stock will, with respect to dividends, rights upon liquidation, winding up and dissolution, rank *parri passu* with the existing Series A and Series B Preferred Stock and senior to all classes of the Company's Common Stock.

Preferred Dividends: Investors in the Preferred Stock will be entitled to receive payment-in-kind at an annual rate of 10% of the Purchase Price beginning at receipt of funds by the Company and ending at the final close of the Preferred Stock offering.

Liquidation Preferences:	First, pay original purchase price plus accrued but unpaid dividends on each share of Preferred Stock. Thereafter, remaining assets of the Company distributed to holders of the Common Stock.
Conversion Rights:	Subject to anti-dilution adjustments, convertible into one share of Common Stock at any time at the option of the holder. Automatically converted into Common Stock (on a one-to-one basis) upon closing of a firm commitment underwritten public offering of Common Stock yielding gross proceeds (prior to underwriter commissions and offering expenses) of at least $20 million.
Voting Rights:	Votes on an as-converted to Common Stock basis on all matters presented to shareholders, but also has class vote as provided by law and articles of incorporation.
Protective Provisions:	The approval of the holders of a majority of the Preferred Stock (voting as a single class) will be required to (i) pay or declare any dividend on the Common Stock, (ii) repurchase or otherwise reacquire any shares of Common Stock or Preferred Stock, other than in connection with any existing agreements or agreements providing for such repurchase from employees, directors or consultants approved by the Board of Directors, or (iii) alter or change the rights, preferences and privileges of the Preferred Stock.
Registration Rights:	(1) <u>Registrable Securities:</u> All shares of Common Stock issuable upon conversion of the Preferred Stock shall be deemed "Registrable Securities." (2) <u>Demand Rights:</u> Beginning the earlier of four years after the closing of the sale of the Preferred Stock or one year after the initial public offering, two demand registrations upon initiation by holders of at least 33% of all the then outstanding series of Preferred Stock. A registration statement filed pursuant to a demand hereunder shall not count toward the limit of two demand registrations, unless such registration statement has been declared effective by the Securities and Exchange Commission. Expenses will be paid by the Company. The Company will not be obligated to effect any demand registration (i) if the Company is eligible to use Form S-3, (ii) unless such registration would have a net aggregate offering price exceeding $20 million (after underwriter commissions and offering expenses), (iii) during the period starting with the date 30 days prior to the Company's estimated date of filing of, and ending 180 days following the effective date of, any registration statement of the Company, or (iv) within one year of a previous demand registration. In addition, if the President of the Company executes a certificate giving notice of the Company's intention to file a registration statement or stating that the offering would be seriously detrimental to the Company or its shareholders, the Company may delay such request one or more times (but only once in any 12 month period) for a period not to exceed 180 days. The participation of the holders of Preferred Stock will be subject to a pro rata cutback at the underwriters' discretion (up to a full cutback in an initial public offering, and a cutback to not less than 33% of the total shares offered in subsequent registrations).

(3) Piggy-Back Registration: Unlimited piggyback registration rights subject to pro rata cutback at the underwriters' discretion (up to a full cutback in all underwritten offerings). Expenses paid by the Company.

(4) Registration on Form S-3: Unlimited S-3 registrations upon initiation by holders of at least 50% of all outstanding series of Preferred Stock. Expenses paid by selling shareholders after the first S-3 registration.

The Company will not be obligated to effect any S-3 registration (i) unless such registration would have a net aggregate offering price exceeding $20 million, (ii) following the filing of, and 180 days following the effective date of, any registration statement of the Company, or (iii) within 12 months of a previous S-3 registration. In addition, if the President of the Company executes a certificate giving notice of the Company's intention to file a registration statement or stating that the offering would be seriously detrimental to the Company or its shareholders, the Company may delay such request one or more times (but only once in any 12 month period) for a period not to exceed 180 days. The participation of the holders of Preferred Stock will be subject to a pro rata cutback at the underwriters' discretion to not less than 33% of the total shares offered in such registration.

Multiple Closings	The Company reserves the right to authorize multiple closings of the Preferred Stock offering.
Market Stand-Off:	Each Investor will not sell or otherwise transfer any shares of the Preferred Stock or any other of the Company's securities. Such Preferred Stock may be converted, within 180 days after the effective date of the Company's initial public offering. Each investor will enter into any agreement reasonably requested by the underwriters.
Termination of Rights:	Registration rights terminate upon the earlier of (i) four years following the initial public offering, or (ii) with respect to a particular holder, whenever such holder is eligible to sell all its shares of registrable securities under Rule 144 during any 90 day period.
Right of First Refusal Of Investors:	Investors are entitled, in the event the Company proposes to offer equity securities to any person, to a pro rata portion of any future issuances (except securities issued to (i) employees, directors or consultants pursuant to stock option, stock purchase or other plans approved by the Company's Board of Directors, (ii) pursuant to acquisitions by the Company, (iii) pursuant to transactions with strategic partners or other joint venture arrangements, or (iv) pursuant to other plans or arrangements approved by the Board of Directors) to purchase its pro rata portion of the offered securities on a fully diluted, as-converted basis (including the conversion of all convertible stock, the exercise of all warrants and options then outstanding and all shares available for grant under the Company's stock option plan), such shares to be purchased on the same terms as they are sold to the other third party purchasers of such equity securities. This right will terminate upon the consolidation or merger or sale of all or substantially all of the assets of the Company, which would result in the

	shareholders of the Company owning less than 50% of the voting power of the surviving corporation, or upon the consummation of the Company's initial public offering.
Co-Sale Rights:	Right to participate in Estridge's sale of Common Stock to any third-party (except family members, associates, employees, directors or consultants) under the same terms and conditions on a proportionate basis with other holders of the Preferred Stock at any time prior to a firm underwritten public offering that has aggregate proceeds exceeding $20 million (after underwriting commissions and offering expenses).
Financial Information:	Right to internally prepared unaudited quarterly and audited annual financial statements. This right will terminate upon the consolidation or merger or sale of all or substantially all of the assets of the Company, which would result in the shareholders of the Company owning less than 50% of the voting power of the surviving corporation, or upon the consummation of the Company's initial public offering.
Other Rights:	Other usual and customary rights which have previously been negotiated with the initial Series A and Series B investors.

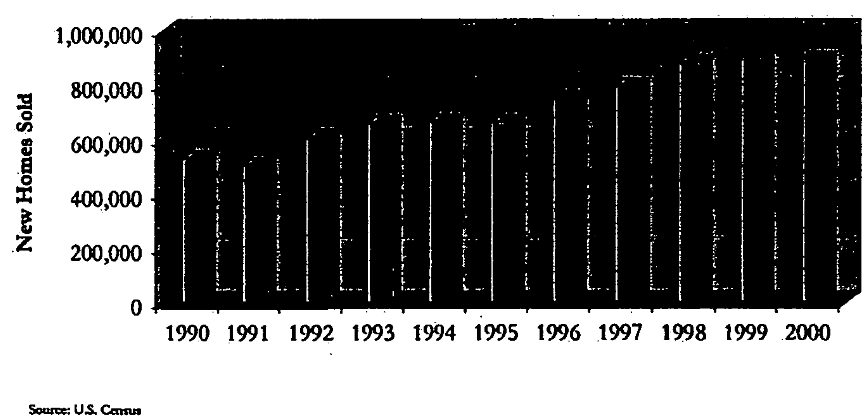
MARKET OPPORTUNITY

FirstMile's business plan overlaps three distinct industries, the single-family homebuilding industry, the cable television entertainment industry and the telecommunications industry. The Company believes there is an enormous opportunity to exploit these markets with a convergent technology solution for new single-family homes. The Company has targeted the new single-family home buyer as it believes this market has the highest potential spend on new services and is the least committed to incumbent providers. In addition, FirstMile targets the new homebuyer due to its ability to provide this customer with a unique bundled technology solution at the critical point in the home buying decision process. Explained below are the dynamics of each industry and the opportunity that the Company envisions as the two industries interconnect.

HOMEBUILDING INDUSTRY

The homebuilding industry is among the largest industries in the United States. According to the United States Census Bureau, approximately 1.2 million new single-family home permits were issued in the year 2000, with the number of new home starts reaching approximately the same level. During the year 2000, an estimated 898,000 new homes were sold at an average price of $205,700. New home sales have generally increased steadily during the last ten years as illustrated in the chart below.

Chart 1: Historical Growth of New Homes Sold



The industry is also one of the most fragmented. Of the 907,000 new single-family site built homes sold in 1999, only 35 percent (about 315,000) were sold by the 100 largest builders according to Builder magazine. The number one builder in 1999 was Pulte Corp., marking its fifth straight year in that position. Pulte had 26,622 home closings (including 7,053 foreign sales and/or sales made through affiliates), which amounted to just 2.9 percent of industry sales. However, leading builders establish key industry trends.

The big builders' market share has risen in recent years. Some companies have consolidated, while others have significantly expanded their market territories. As such, the top 100 builders' share of new site built homes sold in 1999 is higher than their 28 percent share in the prior year, which had risen from a 24 percent level claimed in both 1996 and 1997.

The homebuilding industry has historically been highly fragmented. A "typical" firm could be a small one-person business that constructs a handful of homes, or it could be a large corporation that fashions entire communities. In the past, many builders tended to focus on one particular area or region. However, companies that are significantly capitalized are beginning to operate in more than one region in order to spread their risks and increase revenues. In addition, a trend is underway where the larger developers/builders are building large planned communities. These communities may range from hundreds to thousands of homes built around amenities designed to enhance the community.

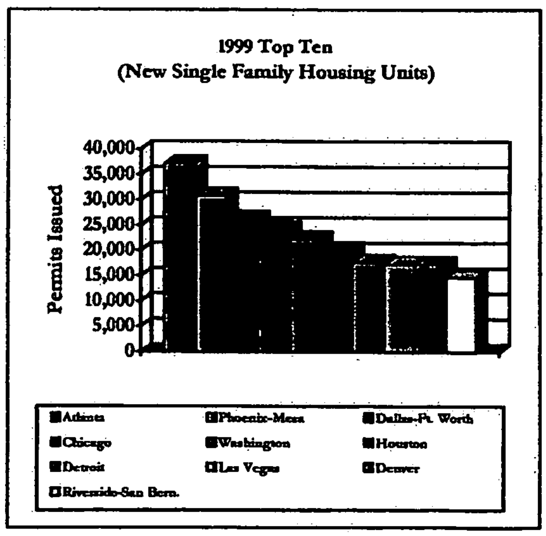
While this industry has been highly fragmented, housing growth is occurring geographically on a highly concentrated basis. For example, during 1999, of the 907,000 new single-family homes constructed, 25% were built in ten of the top metropolitan growth areas and approximately 56% were built in the top 40 markets.

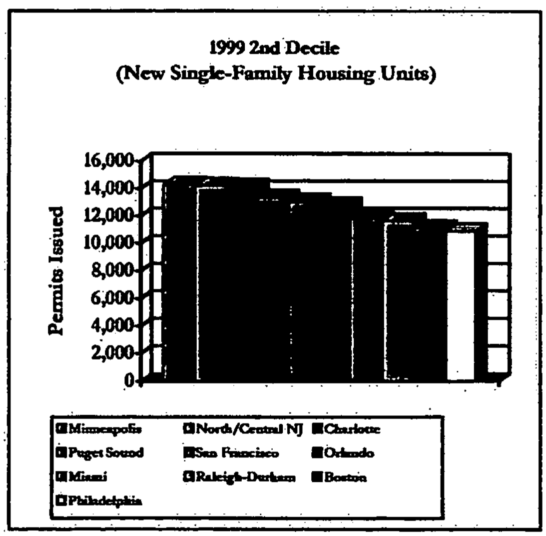
Table 2: Distribution of 1999 Housing Starts (Single-Family Residential)

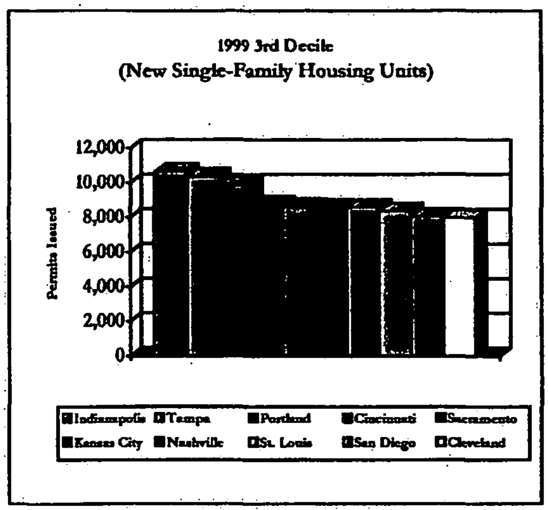
Market Segment	# of Starts	% of National Builds	Cumulative %
Top 10	227,500	25.1%	25.1%
11-20	127,250	14.0%	39.1%
21-30	89,650	9.9%	49.0%
31-40	66,100	7.3%	56.3%

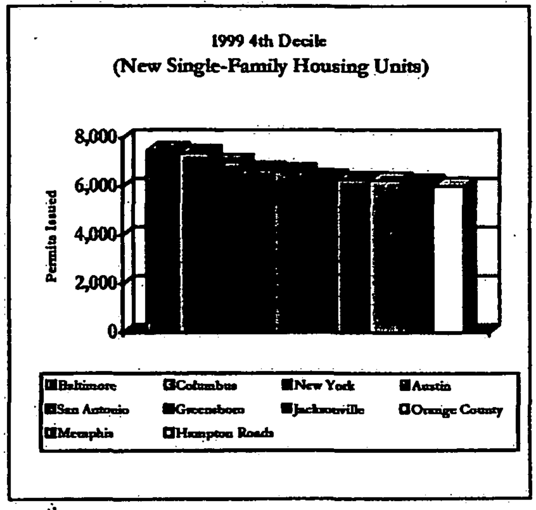
As portrayed in the four charts below, both Dallas and Denver are among the top ten growth markets, while Indianapolis and Tampa rank among third decile markets according to the United States Census Bureau. The charts below illustrate permits from 1999 because information for the entire year of 2000 was not yet available.

Chart 2: 1999 Single-Family Home Permits Issued (Top 40 Metropolitan Areas)









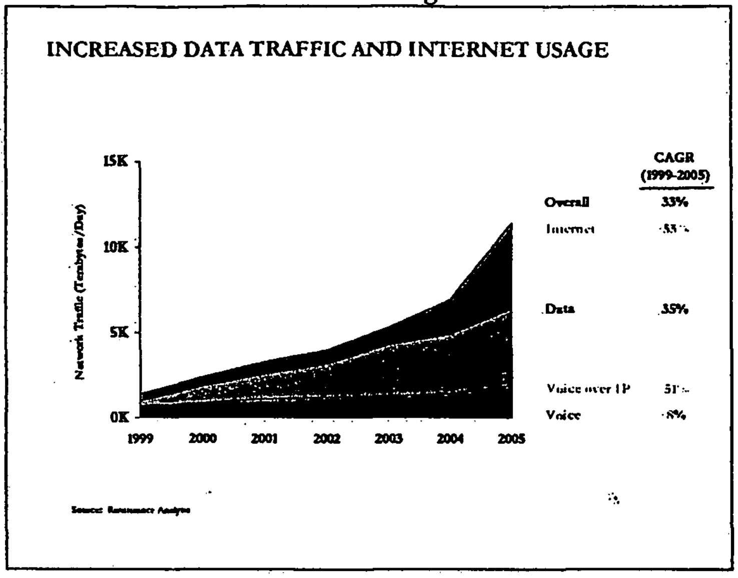
CABLE TELEVISION ENTERTAINMENT AND TELECOMMUNICATIONS INDUSTRY

A vast majority of the current community network infrastructure was built to provide phone or cable TV service to a captive audience. With deregulation of the phone industry, the growth of new technologies, and the evolution of the Internet, providers of these services have realized that they are converging into the same industry. By ruling that local telephone companies, long distance carriers, and cable television operators could enter one another's markets, the Telecommunications Act of 1996 cleared the way for inter-industry competition and the convergence of technologies. Thus, the phone, cable, and Internet Service Provider ("ISP") companies have embarked on massive acquisition and capital expenditure programs to handle this convergence.

Telecommunications services companies are attempting to move closer to a one-stop shopping environment, where consumers can fill all of their communications needs through a single source. Success to date has been limited by the difficulties on integrating various services and channel conflicts. The concept behind bundled services is that a company provides its customers with local, long distance, Internet connections and cable television service. As consumers' personal and business lives have become increasingly complicated, it's believed that they would like to obtain all these services from one company.

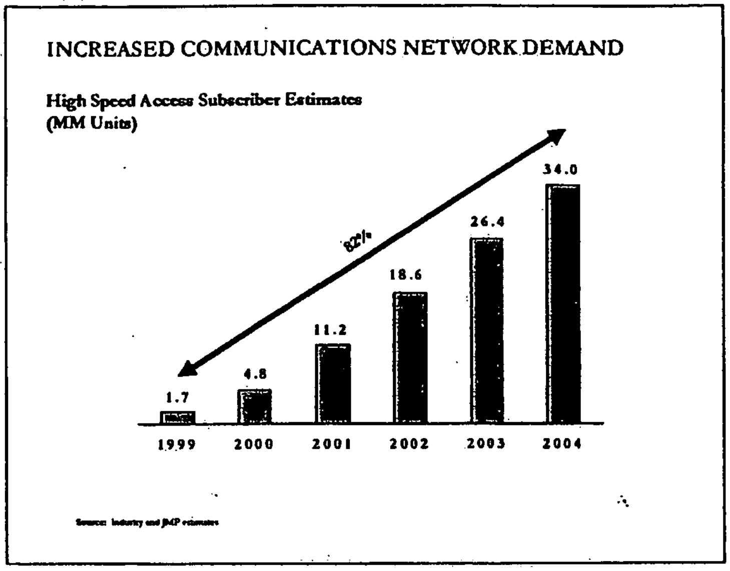
Within the bundling of services, perhaps the main component of growth is the demand for the Internet. According to a study by Ernst & Young, the number of Internet users in the United States reached approximately 80 million in 1998 and is forecasted to grow to approximately 165 million users by 2002. The following chart further supports the growing popularity of the Internet as it illustrates the increased usage as measured by Renaissance Analysis.

Chart 3: Data Traffic and Internet Usage



The number of home office households on the Internet grew from 12 million at the end of 1997 to an estimated 19.7 million by the end of 1999 and is expected to grow to 30.2 million households by 2002. Over the past ten years, high-speed local area networks have become increasingly important to enterprises to enable employees to share information, send e-mail, search databases and conduct business. A majority of personal computers used in enterprises are connected to local area networks. Enterprises are now seeking to extend this same high-speed connectivity to employees accessing the networks from home to improve employee productivity and reduce operating costs. According to industry analysts, there are nearly 40 million personal computers in U.S. homes today, and most of them only connect to the Internet or their corporate local area network by low-speed dial-up connections. Only 3.7% of these users currently access the Internet through a broadband connection of any type. According to the Yankee Group, 34% of consumers indicate that the number one reason they do not access the Internet at home is because they can access it at work at higher speeds.

Chart 4: Network Demand



CONVERGENCE OF THE THESE MARKETS

FirstMile's market opportunity lies in offering a solution built on advanced technology to easily adapt to changes in home services. As a result, FirstMile's target market starts with the national, regional, and large local developers/builders in the fastest growing new home markets in the country. This is a tight-knit group of developers/builders, many of whom are already familiar with FirstMile. The target market then evolves to the end users who are the developer's/builder's buyers of new single family residential homes.

FirstMile plans to reach the end users through its relationship with the developer/builder. Developers/builders who distinguish their homes through amenities will find FirstMile's services to be key differentiators. In order to isolate FirstMile's market more specifically in the short-term, a view of new homes entering the Company's four target markets is illustrated below.

Table 3: FirstMile Markets

Market	Single Family New Home Permits issued 1/1/00 – 11/30/00	First Customer Connected
Indianapolis	12,623	Q2 2000
Dallas	36,067	Q2 2001
Denver	14,915	Q3 2001
Tampa	13,236	Q4 2001

Source: US Census Bureau

Once the homebuilding market has been penetrated, the Company's market opportunity shifts toward capturing the homebuyer's spend on communications and entertainment services potentially purchased through the home. Listed in the table below are estimates of the typical spend for household that earn $90,000 or more per year.

Table 4: Average Annual Expenditures for High Income Households in 1999 ($90,000 and Over)

Average income before taxes:	$139,168
Average annual expenditures:	
Food	$10,218
Housing [1]	26,693
Apparel	4,236
Transportaion	14,768
Health care	3,121
Entertainment [2]	4,690
Personal care products and services	885
Reading	393
Education	1,735
Insurance	14,354
Miscellaneous	6,530
Total	$87,623
[1] Portion related to telephone services=	$1,350
[2] Portion related to entertainment supplies, equipment and services=	$1,267
Initial FirstMile projections=	**$1,680**
Actual FirstMile annualized revenues=	**$2,196**
Projected revenues with follow-on utility offerings=	**$2,993**

Source: US Bureau of Labor Statistics

The converging industries lead to a target market size estimated at $2 billion of revenue potential per year based on the number of new single-family housing permits issued nationally multiplied by the average annual spend on home technology services. The addressable size of FirstMile's four initial markets can be estimated at $200 million of revenue potential per year based on the number of new single-family housing permits issued in each of these markets multiplied by the average annual spend on home technology services.

COMPANY OVERVIEW

THE BUSINESS

FirstMile is an integrated home services provider. It utilizes its unique communications and entertainment platform to service both homebuilders and new home customers in the single-family new residential home market. The Company's strategy is to penetrate the new home market by (i) delivering a full suite of bundled services to the new home buyer, including local phone, long distance, cable television entertainment, digital video on demand, high speed data/Internet access, community Intranet, and security monitoring, (ii) building a complete high speed local area network within residential developments that can provide for a comprehensive offering of products and services, and (iii) developing long-term customer relationships with a focused sales and marketing effort and superior customer service. Other products and services in development include resold electricity, natural gas, water, e-commerce and other home property maintenance services.

The FirstMile new home solution is unique in the telecommunications and home services world in that it captures customers at the time of home purchase, the critical point at which service decisions are made and before other providers can reach the consumer. Bundled services and the Company's low cost network infrastructure offer competitive individual service rates and provide the vehicle to drive high penetration and a high return on investment. By owning a community's technology infrastructure, FMT acts as the local phone, cable and video provider and Internet service provider. Broadband Internet access is offered at 1.5 Mb/s (and faster as technology advances) and is provided as an always on service. Future value added services include streaming media, virtual private networks, voice over IP and audio and video conferencing.

FirstMile has been highly successful in developing strategic partnerships with and obtaining investments from homebuilders and telecommunications equipment suppliers.

- The Company has executed strategic partnerships with and obtained investments from four out of the five largest homebuilders in the United States.
- The Company has executed a strategic partnership with and obtained an investment from Nortel Networks, a premier telecommunications provider.

As of January 2001, 167 homes had been connected in the first community that FirstMile had entered, Centennial in Indianapolis, Indiana. In this development, the Company has achieved 100% penetration rate for voice services, 92% for cable services and 73% for high-speed Internet access, with total revenues of approximately $180 per home on a monthly basis. As of January 2001, FirstMile had signed commitments to provide services for 37,183 homes, is in contract negotiations with developments representing an additional 4,663 homes, and is discussing opportunities with developers/builders representing another 43,211 homes. These contracts will bring FirstMile's service offering into the Dallas, Denver and Tampa markets. The Company has evaluated an additional 32 markets that fit its criteria for a rollout. As of December 2000, the Company employed 11 people, four in the corporate office and seven in operations and technical support.

BUSINESS STRATEGY

The Company's strategy is to create an ongoing revenue stream from homeowners by capturing a significant portion of the revenue that flows out of the home. FMT's strategy is to "own" the First Mile out of the home. To execute this strategy, the Company intends to:

- ***Partner with developers/builders via a unique, powerful and proprietary "land use" legal strategy.*** FirstMile plans to form unique relationships with developers/builders based on its Annuity Program. The Annuity Program creates strong incentives, via exclusive co-marketing and gross profit sharing relationships, in exchange for FirstMile selection as the long-term technology service provider of choice.

- ***Bundle the most technologically advanced services at competitive prices for new homeowners, where penetration is high.*** The Company offers services such as high-speed Internet access, voice and video services, community Intranet, and security monitoring in one convenient package. The bundled package is also offered at competitive market prices with high levels of service.

- ***Capture high penetration rates because FirstMile catches the customer during the "reboot" phase.*** The package is typically offered to the consumer prior to closing on the purchase of a new home, a stage in the process that the Company calls the "reboot" phase, where the customer is an open-minded and in-need consumer. In addition, these customers are more likely to be early adopters of high speed Internet access and video on-demand as well as other FirstMile products and services because they are typically above average in terms of education and household incomes, professionals with Internet access at work or home where high speed Internet access is necessary and have families with children, leading to higher phone, cable TV, and Internet usage.

- ***Develop sources of continuing revenue not only for itself, but also the developer/builder, providing the Company the opportunity to buildout other communities of the particular developer/builder partners.*** To strengthen this developer/builder relationship, the developer/builder receives a portion of the gross profit from FirstMile services over an extended period of time. Contract terms are typically 25 years. The Company believes that this approach incentivizes the developer/builder to retain FirstMile as their technology service provider.

- ***Own/manage a network platform, connecting customers directly to the Internet.*** The Company owns and operates the critical "first mile" of a homeowner's network and manages the "first mile" connection through its NOC. The Company's base solution includes a dedicated community fiber backbone, interconnected by coaxial cable to about every 50 homes. A complete fiber to the home solution developed by Nortel Networks is being evaluated for potential deployment in the initial target markets by mid-2002.

- ***Drive high revenue per customer by bundling broadband Internet access with voice and video services and other value-added services.*** By delivering those services and solutions that are valuable to its customers, FirstMile establishes long-term relationships with its customer base that go beyond basic communications and entertainment to ensure long-term revenue growth. Furthermore, by introducing and bundling other value-added services such as home services and utilities, the Company will be positioned to further drive revenue per customer.

- ***Introduce community web portals to extend the "stickiness" of customer relationships, potentially creating recurring e-commerce revenues for the Company.*** The creation of a Web portal within each community could draw the homeowners repeatedly to the community site. Here, recurring e-commerce revenues could be developed, with the customer "stickiness" due to the tailored aspect of the community portal.

- ***Pursue strategic combinations and relationships that strengthen the Company's market position, enhance its services and expand its revenue base.*** The Company enjoys strong relationships with homebuilders and telecommunications providers. Many of these firms have complementary geographic concentrations, real estate relationships and service offerings. In order to build critical mass, gain access to more customers and expand its service offering, the Company will seek to consolidate with these other service providers and capitalize on the associated economies of scale.

HOMEBUILDING

A key element of the Company's buildout and marketing strategy is entering into favorable contracts with its homebuilding partners. FirstMile believes it has a distinct competitive advantage within the communities it serves, especially when it has obtained an "Annuity Program" agreement with a homebuilder. This provision acts as a deterrent to other service providers and a positive impact on customer penetration rates.

Current Portfolio

As of January 2001, 167 homes had been competed in the first community that FirstMile had entered. In this development, the Company has acquired 167 customers, resulting in a 100% penetration rate for voice services, 92% for cable services and 73% for high-speed Internet access. As of February 2001, FirstMile has signed commitments with developments to provide services for 37,183 homes, is in contract negotiations with developments representing an additional 4,663 homes, and is discussing opportunities with developers/builders representing another 43,211 homes. These contracts will bring FirstMile's service offering into the Dallas, Denver and Tampa markets.

Table 5: FirstMile Deployment

Market	Signed Homes	Negotiation Homes	Discussion Homes	Market Total
Indianapolis	3,183	1,563	402	5,148
Dallas	34,000	--	17,245	51,245
Denver	--	--	21,724	21,724
Tampa	--	3,100	3,840	6,940
Totals	37,183	4,663	43,211	85,057

The Company's strategic partnerships are with such well-respected homebuilders as Centex Corporation, D.R. Horton, Inc., Lennar Corporation and Pulte Corporation. FirstMile will follow these homebuilders into their prospective markets as a means of piggybacking into the developments. The Company is also pursuing and developing additional homebuilding relationships within its existing geographic concentrations, as well as other areas that are underdeveloped, strategic and/or complementary to its current portfolio.

Contractual Arrangements

FirstMile's bundled technology services are marketed to homeowners in new residential developments. By partnering with the developer/builder and ultimately networking a community with the FirstMile solution, the Company is in an unmatched position to be the sole technology service provider. Once providing service, overbuilding by a competitor would be subject to various restrictions under the Annuity Program.

FirstMile markets its services to homeowners via its relationship with the developer/builder. The Company offers developers/builders marketing support programs that include: the equipping of all developer/builder homes in the community with FirstMile's services (at no cost); technology sales training for all model home sales staff; the provision of model home sales collateral and point of purchase displays and; free services for each model home within a FirstMile served community. In return, the development is designated as a "FirstMile Technology Community" and FirstMile is given access to homes within the community in order to provide its services. Listed below is a description of FirstMile's developer/builder programs.

- Annuity Program: Under this program, the Company is given favored nation status in a development through a Marketing and Access Fee Agreement (see Access Entity section). The Company becomes the initial technology provider for a development, is able to deploy its network in the development and its bundled services are then made available to the development's residents. In return, a developer/builder is offered fifteen percent (15%) of gross profit received from the technology services. FirstMile recognizes that the Annuity Program may not be suitable for all developments, but it is the primary focus of its business activities.

- Partner Program: Unlike the Annuity Program where First Mile is awarded access to the community through technology easement licensing rights, the Partner Program is available to those developer/builders who choose to plat their developments in a traditional manner, including the establishment of public utility easements for the incumbent phone and cable companies. Consequently, under this program First Mile is competing with other service providers, although the terms of the agreement still provide for an exclusive marketing arrangement for FirstMile. Gross profit sharing terms under this arrangement are less favorable than under the annuity program, determined as a function of subscriber penetration achieved. The greater the take rate (*i.e.*, subscribers as compared to home passes), then the larger the percent of gross profit sharing.

FirstMile's marketing emphasis continues to be focused on the Annuity Program. This approach is well-suited for the "greenfield" development environment, given the ability to incorporate FirstMile's proprietary easement language in the development plat prior to dedication.

Benefits for Homebuilders

The Company believes that its partnership philosophy, coupled with its innovative solutions, represents a superior value proposition to homebuilders, while distinguishing FirstMile from its competitors. In its discussions with homebuilders, the Company stresses the following benefits that can be realized from partnering with FirstMile:

- The Company's broadband infrastructure can increase the desirability of a community to prospective homeowners and can assist the developer/builder in positioning its properties in the market;

- The Company provides the communications infrastructure at no cost to the homebuilder as well as operates and maintains the network;

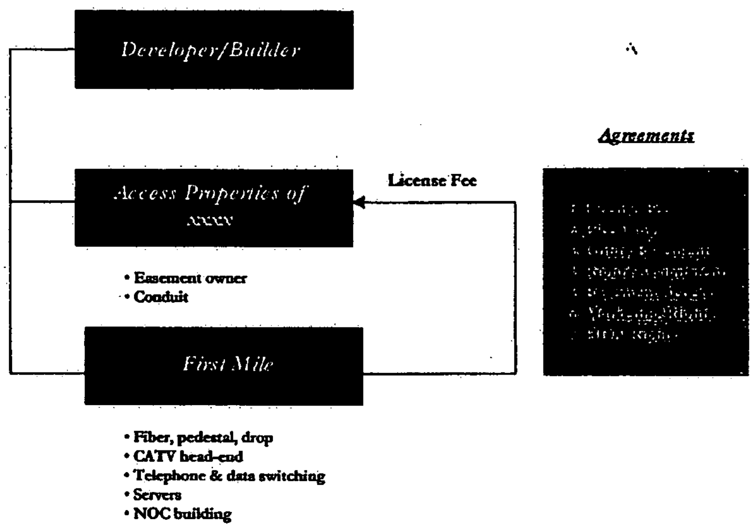
- The Company's technology platform addresses customers' voice, video and data needs, simplifys billing on a consolidated invoice and provides a single source for communications and entertainment services;

- The Company will develop and operate a community-based Internet portal for each connected community in the homebuilder's portfolio. The portal will provide a convenient way through which homeowners can obtain a wide range of customized content, services and applications; and

- The Company provides homebuilders with the opportunity to participate in gross profit generated from their communities most commonly in the form of gross profit sharing as part of the Annuity Program. Homebuilders typically do not receive any recurring revenue streams from their developments, which further enhances the attractiveness of FirstMile's services.

Illustrated below is an example of the Annuity Program relationship between the developer/builder and FirstMile.

Chart 5: Developer/Builder Relationship with FirstMile



PRODUCTS AND SERVICES

FirstMile's services are bundled to offer convenience to the homeowner. By offering local and long-distance voice products in addition to video entertainment and high-speed Internet access, FirstMile provides customers a cost-effective total solution. The Company looks to leverage its relationships to add additional services. FirstMile's current services include:

- ***Local Phone Services*** – Local phone company services including dial tone, 911, operator assistance, line features (such as call waiting and voice mail), and local phone calls.
- ***Long Distance Phone Services*** – Long distance phone services are purchased in bulk and resold to customers.
- ***Cable Television Entertainment*** – Includes a 60 channel analog base offering, which does not require subscriber set top boxes, supplemented with various digital cable TV content, including an interactive program guide, CD quality audio channels and selected premium movie channels. FirstMile purchases the content and provides programming and packages including special interest channels (ESPN, Lifetime, etc.) and premium channels (HBO, ShowTime, etc.). All programming is comparable to the offerings of the cable television industry leaders.
- ***Digital Video on Demand*** – Unlike traditional pay-per-view programming, video on demand movie rentals available through FMT can be stopped, reversed, fast-forwarded, and re-watched for a defined period of time (day, week, etc.). The rentals are priced to match or slightly lower than typical video store rental charges.
- ***Always on High Speed Data/Internet Access*** – Broadband Internet access offering speeds of 1.5 Mb/s (and faster as technology advances), eliminates waiting time while connecting to the ISP – providing the user access on demand without tying up a phone line.
- ***Community Intranet*** – A local area network ("LAN") within the community allows residents of the community to communicate with each other, including e-mailing neighbors, making tee times, checking school lunches, ordering lawn and landscaping services, scheduling babysitters, creating club web-sites, etc. This service is "always on" and will be available via an Ethernet Internet Appliance provided free of charge by FirstMile.
- ***Home Security Monitoring*** – Traditional home security monitoring services.

The above services are being delivered today in Centennial or are scheduled to be delivered in identified (contracted) communities. FirstMile believes that there are additional opportunities to leverage its relationships with the homeowners and developers/builders. These opportunities include:

- ***Home Services*** – FirstMile will provide numerous home property maintenance services, which will be ordered, scheduled, and managed by FirstMile, but provided by third parties. These services include carpet cleaning, lawn care, snow shoveling, home refinancing, pest control, etc.
- ***E-commerce*** – FirstMile believes it will benefit from "owning the home spend" of its customers. This includes everything from traditional online buying from sources such as Amazon.com to totally new products and services not normally purchased through the Internet, such as home pizza delivery. FirstMile's bandwidth and community Intranet make this possible. Additionally, by working with developers/builders and customers, FirstMile will be doing what has been

difficult to date – segmenting the Internet into specific geographic locations creating opportunities for local merchants to develop targeted e-commerce activities.

- ***High Bandwidth Value Added Services***- FirstMile intends to offer services that capitalize on the high-speed broadband access currently offered. These services include streaming media, virtual private networks, voice over IP and audio and video conferencing.

- ***Electric Power*** – FirstMile expects to purchase and resell electricity as regulation permits in the future.

- ***Natural Gas*** – FirstMile will also resell natural gas as regulation permits.

- ***Water Services*** – FirstMile believes it can provide water services in the same manner as electric power and natural gas.

As customers recognize the benefits of a community Intranet and the convenience of FirstMile's other services, developers/builders of planned communities will need to have similar product offerings in order to compete in the new home market.

Some of FirstMile's services are in regulated industries and/or competitive markets. FirstMile has or will obtain all the necessary regulatory approvals to provide all its services in each of its targeted markets. The Company is an approved CLEC in Indiana and Texas and is pursuing approval in their other initial target markets.

ACCESS ENTITY

The relationship between FirstMile and a developer/builder will begin when the developer/builder assembles its real estate parcels into a planned "greenfield" community (*i.e.*, an undeveloped tract of land). It is at this early stage in the development process that the developer/builder will form its Access Entity for the planned community. There are no restrictions on the type of entity the Access Entity may be, nor are there any restrictions on its ownership; except that the Access Entity may not be an affiliate of FirstMile.

The developer/builder will grant perpetual exclusive private technology easements to the Access Entity, which may include all common services. Subsequent to the developer's/builder's grant of easements to the Access Entity, FirstMile (or a designated wholly-owned subsidiary) will receive a non-exclusive license to provide specified services to the development over the easements held by the Access Entity. Both the easements granted to the Access Entity, and the non-exclusive license granted to FirstMile, will be recorded and appear in the "chain of title" of every lot in the development. The developer/builder then records the declarations and the plat as is customary.

The "chain of title" for the development will reflect the carving out of the common services easements prior to the recording of the plat. This substantially limits the rights of third party providers to enter the development over publicly dedicated rights-of-way or easements. To the extent any rights-of-way or easements are "dedicated" to the public as part of the platting process, the dedication will be subject to the pre-existing recorded rights of the Access Entity. The result is, absent the Access Entity granting another easement or license to a third party provider, a development will receive services solely from FirstMile. Furthermore, if the Access Entity is compelled or desires to grant an easement or license to a third party, such party must match or exceed FirstMile's license payments and will likely have to overbuild the development and comply with the favored nations clause of the Access Fee Agreement. The combination of these factors,

particularly for service providers of non-bundled offerings (*i.e.* phone or cable only), may not be cost-effective.

Utilization of the Access Entity creates significant constitutional obstacles for any attempt by a third party to mandate or force its access onto the easements within the development. The rights vested in the Access Entity are property rights, which are protected by traditional constitutional principals. Specifically, the Fifth Amendment to the federal constitution, and all state constitutions except for two, prohibit and limit "takings" of private property rights.

Applying the "takings" principals to the FirstMile real estate structure, three principal limitations are involved. First, in the event a public utility attempts to use eminent domain authority under state or federal law, a taking has occurred which requires just compensation. Recent court cases have held that the "must carry" provisions of the Telecommunications Act of 1996 are an involuntary taking. Second, if a government regulation removes the productive use of the easements held by the Access Entity, an involuntary taking occurs which requires just compensation. Finally, the imposition of a land development condition in exchange for a permit or land use approval (including either zoning or plat approval) will generally result in a taking under the proprietary FirstMile-designed real estate structure.

The economic terms and conditions relating to a FirstMile development are set forth in a Access Fee Agreement entered into between FirstMile, the developer/builder and the Access Entity. The agreement provides, in its most relevant parts, for an access contribution to be made by FirstMile to the Access Entity, which contribution will take the form of infrastructure and marketing contributions. The infrastructure contributions will consist primarily of the conduit, which will be placed throughout the development by FirstMile at no cost to the Access Entity.

Finally, the Access Fee Agreement contains a most favored nations clause which provides that the Access Entity will not grant access to the development by any provider of covered services (*i.e.*, services provided by FirstMile) under terms or conditions more favorable than those set forth in the Access Fee Agreement. A violation of this favored nations provision visits significant damages upon the Access Entity. Hence, an intentional breach of the Access Fee Agreement by the Access Entity is unlikely.

NETWORK STRATEGY, DESIGN AND ARCHITECTURE

FirstMile's network is designed to utilize proven technology and to ensure that both present and future bandwidth requirements of its customers are met. The Company conducts detailed surveys of each property before it installs its network. The network is comprised of three primary components:

- The underground infrastructure or outside plant within each development served;
- The metropolitan fiber backbone that connects each development to the Network Operating Center; and
- The Network Operating Center (NOC) that houses all of the equipment to deliver voice, data, and entertainment services, and connections to the outside world.

Outside Plant within a Community

FirstMile currently deploys a hybrid fiber/coaxial cable infrastructure that delivers the most capability to the homeowner with proven technology at an affordable cost. Fiber is deployed to individual

nodes that each support approximately 50 homes. The homes are connected from each fiber node with coaxial cable. As soon as economically feasible, FirstMile will migrate to "Fiber to the Home" ("FTTH") capability. To facilitate this migration, spare conduit is placed in every development's backbone and from the node to the home.

Centennial provides an example of the flexibility FirstMile's infrastructure maintains to adapt to technology. This community will take approximately five to six years to complete. The first phase of approximately 200 homes and a church began in September 1999 and is just now nearing completion. Its outside plant was installed during the second and third quarter of 1999, utilizing a coaxial underground network infrastructure designed to support all of FirstMile's services: voice, video and data. However, since the cost of a fiber infrastructure has declined, it has become economically feasible to begin deploying what is known as a deep fiber architecture in the outside plant. This design approach will greatly reduce the number of active devices in a community network (e.g. taps, repeaters), offering improved maintenance potential. In addition, overall network reliability will necessarily improve, given that a robust fiber backbone is installed within each community served, using a ring topology. This will permit counter-rotation of services traffic in the event of a cable cut or fiber electronics component failure.

Consequently, the second phase of Centennial (currently under development) is being constructed with the deep fiber architecture previously discussed. Before the buildout of this community is complete, management expects FTTH deployment to become economically feasible.

Metropolitan Fiber Backbone

In each market where FirstMile is deployed, it will lease the fiber capacity needed to connect the housing developments served within a metropolitan area to its NOC and to the outside world. Because of the bandwidth required, FirstMile is using Dense Wave Division Multiplexing ("DWDM") technology over dark fiber, which is capable of counter rotation as previously described. This capability is even more important in the metropolitan backbone to ensure the integrity of network routes that serve multiple communities. From the closest add/drop point on a particular metropolitan backbone, fiber laterals are constructed to reach a particular development or cluster of developments in a tight geographic area. Each residential community has a fiber demarcation point to which these fiber laterals terminate.

Network Operating Center

FirstMile has constructed its own NOC for the Indianapolis market at Centennial. While the NOC is located in Centennial, it has been engineered to serve the entire residential new home market in the Indianapolis metropolitan area.

At the NOC head-end, Arris Cornerstone technology has been deployed to handle baseband to Ethernet conversion over FirstMile's hybrid fiber/coaxial outside plant for high-speed data services, as well as enable local phone services through conversion to GR303 protocol. Class 5 local phone switch functionality is provided through deployment of Taqua's OCX soft-switch, which links the GR303 protocol to the local public switched telephone network. In addition, the Taqua OCX provides services capabilities, such as caller ID, call waiting, remote call forwarding, long distance call blocking, etc. Each Taqua OCX deployed will be a recognized end-office in the North American Numbering Plan, and as such is permitted to originate and terminate traffic through standard SS#7 and inter-machine trunk interconnection arrangements with the incumbent telephone company within a particular market.

Ethernet switching and routing is accomplished through deployment of Nortel's Shasta platform. Video capability includes a base 60 channel analog offering, utilizing both Thompson Electronics and Blonder Tongue technology. A tier of digital content will be provided through General Instruments/Motorola technology, and various video on demand vendors are currently being evaluated, including Sea Change and Diva TV.

The NOC is capable of monitoring and controlling every component on the Company's network. All the Company's network assets are continuously monitored for events that may interrupt or degrade service.

Co-location Strategy

Outside of Indianapolis FMT plans to utilize co-location facilities whenever feasible. A co-location facility provides leased floor space equipped with stand-by power, cable racking, fire suppression capability, and HVAC. Co-location facilities are constructed with access to fiber providers, reducing FMT's capital expenditures, operating expenses and time-to market. Co-location facilities are currently being evaluated in Denver and Tampa. Although the projections incorporate co-location in Dallas, it is likely that another Network Operating Center will be constructed in Dallas, given the size of the 'flag-ship community' it will serve (approximately 20,000 lots).

Fiber to the Home Initiatives

FMT has been selected by Nortel Networks to evaluate and showcase their coming FTTH product line. This product showcase will be one of three launched by Nortel in 2001, to underscore the coming introduction of a Nortel developed Home IP Gateway that is supported by an end-to-end optical/Ethernet network architecture. These showcases will be launched at one site each in Japan, Europe, and at the Centennial master planned community in Westfield, Indiana. All will demonstrate applications that take advantage of 45-100Mbps bandwidth delivered to the home, including: HDTV, high-end video streaming applications, as well as completing phone calls with the addition of full motion video. Several of Nortel's business partners are expected to participate to demonstrate applications that take advantage of consolidating all services delivery over an IP network (voice, data, and video.)

This opportunity will enable FMT to get a first hand look at exciting new emerging services, as well as influence Nortel product pricing as the costing and engineering analysis is undertaken to implement this new network architecture. Nortel and FMT have formed a joint network engineering team to enable a successful outcome of this necessary engineering economic analysis.

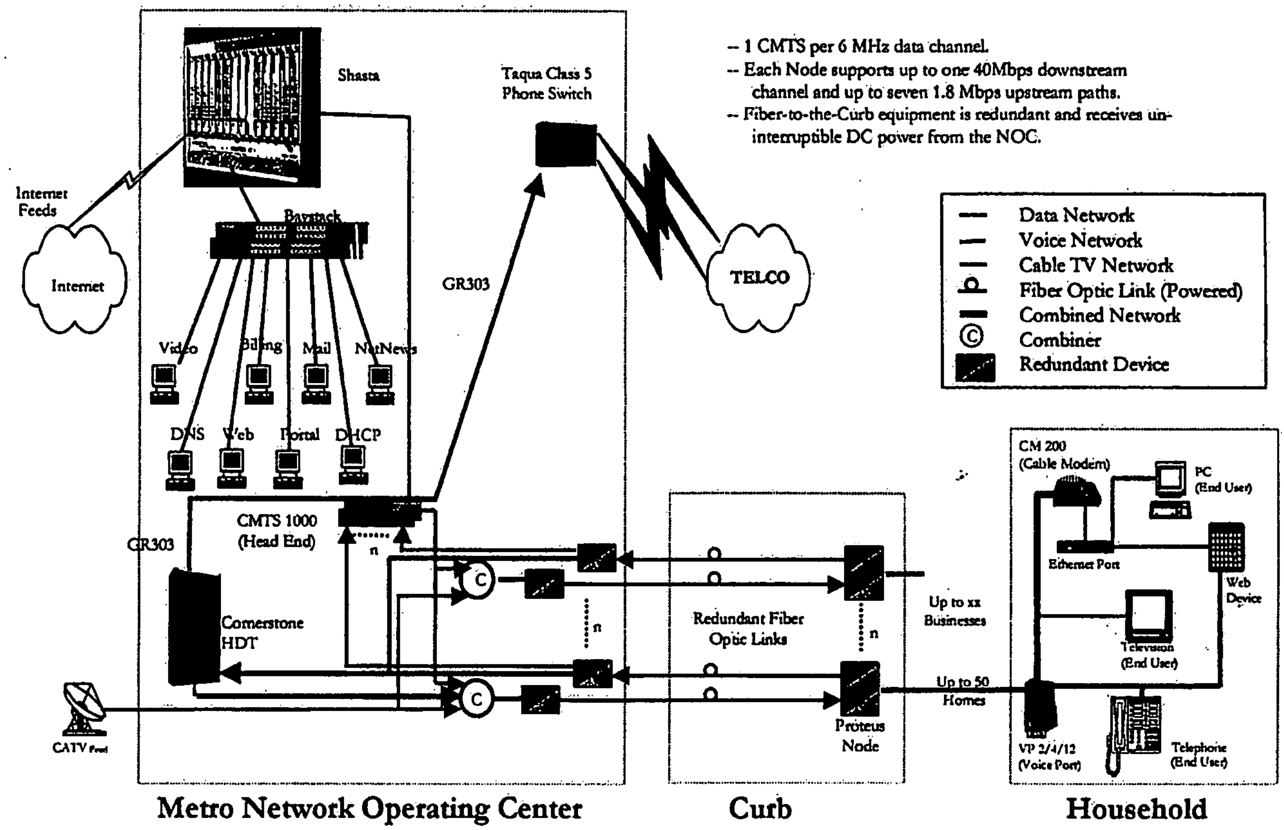
FirstMile's Offices

FirstMile is currently utilizing the NOC in Centennial, as its Indianapolis market office. Leased office space is being evaluated for Dallas, Denver and Tampa. These offices will be "home-base" for each market's General Manager and a supporting organization, which will include outside plant project management, local developer/builder sales support, NOC voice, data, and video head-end operations, field maintenance/customer service, and office administration personnel. The front area of these leased facilities will have a "show room" appearance, since it will be the area where developers/builders, and homeowners will be introduced to FirstMile's capabilities. The remainder of this leased space will house local market operations personnel, as well as warehouse space for storage of equipment. A leased office standard design and footprint of 4,000 to 5,000 square feet has been established as well as budgets for furniture and equipment.

The location and timing of FirstMile's future corporate headquarters is being evaluated.

First Mile Deep Fiber Architecture

- 1 CMTS per 6 MHz data channel.
- Each Node supports up to one 40Mbps downstream channel and up to seven 1.8 Mbps upstream paths.
- Fiber-to-the-Curb equipment is redundant and receives un-interruptible DC power from the NOC.



CONSTRUCTION AND DEPLOYMENT

Significant planning takes place before a customer can be connected to FirstMile. Initially the focus is on obtaining the required telecommunication licenses (which vary by state and can take anywhere from one to six months to obtain). Currently CLEC certification has been granted by the utility commissions in both Indiana and Texas, and are pending approval in Colorado and Florida. Beyond obtaining CLEC certification, the most significant other prerequisite to offering service in a new market is the development of a services agreement with a local dark fiber provider. As such a provider is identified, collocation or NOC facility decisions may be made given knowledge of the fiber provider's routes. These initial market introduction steps provide the solid underpinning needed to introduce FirstMile to a new market and begin the process of forming relationships with the developers/builders.

As FirstMile begins working with developers/builders in a new local market, it follows a standard process which typically requires six months to complete, from initial interest to the delivery of services to a particular community. Upon an indication of interest, FirstMile completes a services feasibility analysis to determine the distance of a potential community to its metropolitan fiber backbone or subtending laterals. If a potential community is "within reach", the developer/builder is delivered a term sheet and marketing and services agreement with detailed terms and conditions. Upon execution of such subtending agreements, FirstMile completes the engineering of the development's conduit and network backbone design, as well as details the fiber lateral route and related construction requirements. On a parallel basis, FirstMile assists the developer/builder in the zoning and easement process of those developments to be served, so both parties can maximize their future revenue potential. As roads, curbs and utilities are installed, FirstMile will place its' underground outside plant within the community (fiber, fiber nodes, pedestals). All these steps are necessary in a development before it generates paying customers for FirstMile.

MARKETING AND SALES

National Strategy

FirstMile's marketing strategy focuses on national and major regional developers/builders. There are a relatively small number of developers/builders in each market with enough homebuilding volume to justify FirstMile's investment interest. Most are divisions of national or regional companies along with large and influential single market (local) developers/builders. Not only has FirstMile identified such companies in key metropolitan markets, but it also has relationships with many of these key industry players via its home building roots.

The Company has a number of initiatives already in place. It has held builder summits explaining the Annuity Program and FirstMile's technology capabilities. A national advertising campaign is being planned that includes advertising in developer/builder trade publications, a website, and corporate brochures. The Company will continue to speak at key conferences and seminars explaining the benefit that technology services can bring to both the new homebuyer and the developer/builder. FirstMile can assist developers/builders differentiate their communities from their competitors while simultaneously capturing attractive recurring revenues.

As of February 2001, FirstMile has signed commitments with developments representing 37,183 homes, is in negotiations with developments representing an additional 4,663 home, and is discussing opportunities with developers/builders that represent another 43,211 homes.

Local Market Strategy

FirstMile will retain local personnel to be responsible for marketing to local developers/builders, local divisions of national builders, and end consumers (the national builders have very strong local operating groups). These representatives work with the developer/builder on each development assisting them in the creation of the Access Entity, negotiating the Annuity Program, oversight of the infrastructure design/construction, and conducting sales training for developer/builder sales personnel.

Additionally, FirstMile will provide free technology services to all the sales offices and model homes of participating developer/builder communities throughout the buildout period. In most cases, the sales offices and model homes within the FirstMile communities will exclusively market FirstMile's services to its homeowners.

STRATEGIC RELATIONSHIPS

As the relationship with a developer/builder matures, new projects will continue to come online on a regular basis enabling the Company to grow with its existing partnerships as well as through the formation of new partnerships. Listed below are brief descriptions of both strategic and financial partners:

Strategic and Financial Partners

Nortel Networks (NYSE: NT) - is a leading maker of optical, data networking and telecommunications products. Its products include switching, wireless, and broadband network systems; it is a leader in fiber-optic systems for high-capacity data and voice networks. Nortel flourished by buying into computer telephony, customer relationship management software, and e-business software and services. Nortel is using acquisitions to stay technologically ahead of competitors.

Nortel participated in the first round financing of FMT and has board observation rights. Nortel is also an active strategic technology partner and has helped with personnel, consulting services, and equipment.

Northwood Ventures - founded in 1983, is a private equity firm which invests in venture capital opportunities, management buyouts and industry consolidations. Northwood invests across a broad range of industry sectors and works actively in partnership with the management teams of its portfolio companies with the common goal of generating superior returns. Northwood currently manages in excess of $200 million of equity capital.

Northwood Ventures participated in the first and second round financings of FirstMile Technologies.

Encore Venture Partners - is a venture capital affiliate of D.R. Horton (NYSE: DHI). Encore Venture Partners, formed in July 1999, is a private venture capital fund with $150 million of committed capital. Encore currently has offices in Santa Monica, California and Dallas/Fort Worth, Texas. Encore is dedicated to funding, supporting and developing early stage companies possessing the potential to become market leaders. The fund's professionals, advisors and strategic investors assist the fund's portfolio companies in a variety of areas including business planning, strategic direction, executive staffing and raising capital. Its goal is to leverage contacts, experience, and strategic relationships to provide advice and support to a portfolio of emerging technology companies.

D.R. Horton is engaged in the construction and sale of high quality homes designed principally for the entry-level and first-time move-up markets. Homes range in size from 1,000 to 5,000 square feet. For the last twelve month period ending September 30, 2000, D.R. Horton delivered 19,144 homes. D.R. Horton also builds luxury custom homes in certain markets. The company operates in 40 markets in 23 U.S. states. D.R. Horton also provides mortgage financing and title services to homebuyers through certain of its subsidiaries.

Encore invested in the first round financing of FMT. Rick Beckwitt, general partner of Encore, is a member of the FirstMile Board of Directors.

Pulte Corporation (NYSE: PHM) - is a leading homebuilder in the U.S. with international operations. Pulte Homes designs and builds entry-level and move-up single-family houses, duplexes, townhouses, and condominiums at prices ranging from $50,000 to more than $850,000. For the LTM period ending September 30, 2000, Pulte delivered 20,004 homes in the U.S. Pulte also develops active adult communities, primarily in Sunbelt areas. The company markets homes in 25 U.S. states, Mexico, and Puerto Rico. Pulte Mortgage originates loans for the purchase of its own and other houses. Pulte also owns a minority interest in one of Mexico's few mortgage-banking companies.

Pulte Corporation was a strategic investor in the first round financing of FMT and has Board observation rights.

Lennar Corporation (NYSE: LEN) - is currently the largest homebuilder in the U.S. Lennar builds for first-time buyers and for the move-up and retirement markets at prices that range from $100,000 to $1 million. Lennar acquired U.S. Home on May 3, 2000. This acquisition expanded Lennar's operations beyond the Sun Belt – the company now operates in 13 U.S. states. Its brands include Lennar Homes, U.S. Home, Greystone Homes, Village Builders, Renaissance Homes, and Winncrest Homes. The company's financial services division originates and services residential mortgages and provides title services. For the LTM period ending November 30, 2000, Lennar delivered, on a pro forma basis, 22,560 homes.

Lennar Corporation was a strategic investor in the first round financing of FMT and has Board observation rights.

Centex Corporation (NYSE: CTX) is a leading homebuilder in the U.S. targeting both first-time and move-up buyers. Centex operates in 20 states and Washington, DC, as well as Latin America and the United Kingdom. For the LTM period ending September 30, 2000, Centex delivered 19,854 homes. Centex subsidiaries also offer home security systems and pest-control services and construction contracting for hospital, school, office building, and hotel projects. The firm has interests in land development, mortgage banking, commercial real estate, and construction supply manufacturing (gypsum wallboard, cement, and concrete).

Centex Corporation was a strategic investor in the first round financing of FMT and has Board observation rights.

Vectren (NYSE: VVC) - formed in March 2000 through the combination of Indiana Energy, Inc. and SIGCORP, Inc., is headquartered in Evansville, Indiana. Vectren, through its regulated subsidiaries Indiana Gas and SIGECO, provides gas and/or electricity to more than 650,000 customers in adjoining service areas that cover nearly two-thirds of Indiana. Vectren's non-regulated subsidiaries offer energy-related products and services including energy marketing; fiber-optic-based communication services; and utility-related services including materials management, debt

collections, locating, meter reading and trenching services to customers throughout the surrounding region.

Vectren was an investor in the second round of financing for FMT. Carl Chapman, Executive Vice President of Vectren Corporation and President of Vectren Enterprises, is a member of the board of directors of FirstMile.

CERTIFICATIONS

E.com Technologies, LLC ("E.Com"), a wholly owned subsidiary of FirstMile was granted a Certificate of Authority ("CTA") by the Indiana Utility Regulatory Commission (the "IURC") as part of an Interim Order issued on December 15, 1999. The Order granting E.Com a CTA became a final order by virtue of an IURC Order on Reconsideration entered on May 25, 2000 establishing it as a CLEC. The Company has initiated the CLEC certification processes in Colorado, Florida, and has recently become a certified CLEC in Texas. FirstMile believes that it will obtain CLEC certification in the remaining two states by the end of the first quarter 2001.

LITIGATION

Currently, there is no material litigation against the Company.

EMPLOYEES

As of December 2000, the Company employed 11 people, 4 in the corporate office and 7 in operations and technical support. Following the successful completion of its financing, the Company will continue to add the necessary personnel to meet the growing demand for its services.

FACILITIES

The Company's headquarters and first Network Operating Center are located in Indianapolis.

MANAGEMENT & BOARD

MANAGEMENT

The following are executive officers of the Company:

Name	Age	Position	Former Experience
Paul Estridge Jr.	43	President and Chief Executive Officer	The Estridge Companies
Mike Farmer	51	Chief Operating Officer	Shape Energy Resources, Ameritech Advanced Data, Indiana Bell
Mark Flagg	35	Vice President of Business Development	The Estridge Companies, Marathon Oil
Scott Cougill	35	Director of e-Commerce	Lightdog/Integrity Online, Source Consulting
Joseph Lazzara, Jr.	36	Director of Operations	GTE, United Information Technologies, Ameritech
Tom Long	30	Chief Financial Officer	Long & Associates, P.C., Creative Image, Inc.
Robert Wilson, Jr.	52	Director of Switching Administration	Ameritech/Indiana Bell

BOARD OF DIRECTORS

The following are the directors of the Company:

Name	Age	Position
Paul Estridge Jr.	43	President and Chief Executive Officer - The Estridge Companies
Richard May	55	President - Valuemetrics, Inc. and VM Equity Partners, Inc.
Richard Beckwitt	41	General Partner - Encore Venture Partners
Carl L. Chapman	45	Executive Vice President - Vectren Corporation; President - Vectren Enterprises

MANAGEMENT

Paul Estridge, Jr., President and Chief Executive Officer - Mr. Estridge is a founder of FirstMile and serves as its Chairman and CEO. Mr. Estridge is also the President and CEO of The Estridge Companies, a residential home development and building company based in Indianapolis, Indiana. Mr. Estridge served as a director or advisor to Pleasant Run Children's Foundation, St. Mary's Child Center, St. Vincent's Hospital Advisory Board, and Habitat for Humanity. He is a member of the Young President's Organization and was awarded Entrepreneur of the Year – State winner by Inc. Magazine in 1994. Mr. Estridge has almost 20 years of experience in the home building industry. He has a B.S. in Real Estate Sales and Management from the University of Evansville.

Mike Farmer, Chief Operating Officer - Mr. Farmer joined FirstMile as its COO in March of 2000. From 1995 to 1998, Mr. Farmer was President of Shape Energy Resources a joint venture between Dow Chemical and Mid-America Capital. He has also held the position of President and General Manager for Ameritech Advanced Data service and General Manager of Indiana Bell's construction, installation and maintenance organization. Mr. Farmer received a B.S. in Business Administration from Indiana State University in 1970 and an MBA from Indiana University in 1977.

Mark Flagg, VP of Business Development - Mr. Flagg is Vice President of Business Development has been with the Company since its formation. He is also Director of special projects for the Estridge Companies. Mr. Flagg joined The Estridge Companies in September of 1998. Prior to working for

Estridge, he worked for Marathon Oil Company for 12 years in a variety of functional areas including finance, marketing, operations, administration, and advertising. Mr. Flagg's last position for Marathon was with Marathon Alaska Natural Gas Company, a company he was responsible for starting. Mr. Flagg received a B.S. from Indiana University in 1987 and an MBA from Wayne State University in 1993.

Scott Cougill, Director of E-Commerce - Mr. Cougill joined FirstMile in October of 2000. From 1998 to 2000 he was a Founder and President of Lightdog/Integrity Online, a filtered Internet Service Provider. From 1993 to 1998, he served as the Product Sales Manager for Source Consulting. Prior to 1993, Mr. Cougill was an Account Marketing Representative for 5 years for IBM in Indianapolis. He received an A.B. from Wabash College in 1987 and an MBA from Indiana University in 1991.

Joseph Lazzara, Jr., Director of Operations - Mr. Lazzara joined FirstMile in December 1999. Previously, Mr. Lazzara worked for GTE for 11 years serving as East Region Sales Manager for the Wholesale division and as the project lead on the Telecom Act of 1996. He also was a co-founder and principal of United Information Technologies and held various positions at Ameritech. Mr. Lazzara graduated from the Kelly School of Business at Indiana University with a degree in Qualitative Analysis in 1986 and received an Executive MBA while at GTE from a University of the North Carolina sponsored program.

Tom Long, Chief Financial Officer - Mr. Long joined First Mile Technologies as its CFO in September 2000. From 1997 to present, Mr. Long served as the founder and President of Long & Associates, P.C., a certified public accounting firm as well as founder and President of Creative Image, Inc. a specialty promotions firm. Prior to 1997, Mr. Long served as CFO of a business group active in the advertising, screenprinting, and embroidery, which produced US Tennis Open, Olympic, and sporting arena merchandise. From 1992 – 1996, Mr. Long worked at an Indianapolis CPA firm specializing in real estate and entrepreneurial businesses. Mr. Long received a B.S. with highest honors from Butler University in 1992, and passed the CPA exam in May 1992.

Robert Wilson, Jr., Director of Switching Administration - Mr. Wilson joined FirstMile in January of 2001. Prior to joining the Company, Mr. Wilson spent 32 years at Ameritech/Indiana Bell in various service and management positions. Most recently he was a Service Manager/Service Director for Ameritech/Indiana Bell largest customers.

BOARD OF DIRECTORS

Paul Estridge, Jr., President and Chief Executive Officer - See above.

Richard May, Director - Mr. May joined the board in November 1999. Mr. May is also the founder and President of Valuemetrics, Inc. and VM Equity Partners, Inc. respectively a financial consulting/valuation firm and investment-banking boutique. Mr. May has over 20 years of experience in the financial consulting and investment industry. He has a B.S. from Purdue University and an MBA from Massachusetts Institute of Technology.

Richard Beckwitt, Director - Mr. Beckwitt is the General Partner in the private equity firm Encore Venture Partners. Mr. Beckwitt joined the board concurrent with Encore's investment in FirstMile. Prior to joining Encore, Mr. Beckwitt was the President of D.R. Horton, Inc., the third largest homebuilder in the United States. He continues to serve as a member of the Board of Directors of D.R. Horton. Before joining D.R. Horton, Mr. Beckwitt worked at Lehman Brothers in the Mergers and Acquisitions and Corporate Finance Departments. Prior thereto, he worked for various construction companies, including his own. Mr. Beckwitt graduated with honors from Claremont

McKenna College with a Bachelor of Arts Degree. He is based in Encore's Dallas / Fort Worth Office.

Carl L. Chapman, Director - Mr. Chapman is Executive Vice President of Vectren Corporation ("Vectren") and President of Vectren Enterprises. Vectren, the holding company created from the merger of Indiana Energy Inc. and Sigcorp Inc., distributes gas and electricity to nearly one million customers. Vectren Enterprises, through its nine primary operating companies, offers energy-related products and services, fiber-optic based telecommunication services and underground construction, materials management and locating services to customers throughout the Midwest. Prior to Vectren, Mr. Chapman was CFO of Indiana Energy, a New York Stock Exchange Company, and President of IEI Investments, Inc., its holding company for non-regulated investments. Mr. Chapman also helped found and was President of ProLiance Energy, LLC, where he is still chairman. A full service energy marketer, ProLiance's revenues now exceed $1 billion. Mr. Chapman graduated summa cum laude from Ball State University with an emphasis in accounting. Upon graduation, he joined the Indianapolis office of Arthur Andersen & Co.

FINANCIAL OVERVIEW

OVERVIEW

The Company's financial projections are built-up by market and are based upon the Company's four market rollout strategy: Indianapolis, Dallas, Denver, and Tampa. The financial projections assume that the Company does not conduct operations outside of the aforementioned four markets. A 36 market rollout pro forma is available upon request.

COMMUNITY DEPLOYMENT AND PENETRATION

The Company projects to be connected in 2,014 homes within the four markets by the end of fiscal year 2001E and in 128,274 homes by the end of fiscal year 2010E. The Company assumes that it can capture approximately 25% on a stabilized basis of homes built within a target market with its basic bundled service offering.

	Indianapolis	Dallas	Denver	Tampa
Initial Rollout	Sep - 99	May - 01	Aug - 01	Sep - 01
Total Market Rollout by December 31, 2010	24,563	60,045	21,951	21,715
Highest Home Rollout per Month	262	857	236	236

Once a home has signed up for FirstMile's service, the basic service package of local phone, long distance, digital entertainment, digital video on demand, high speed data/Internet access, community Intranet, and security monitoring. The projections assume monthly revenues of approximately $140 per home. This assumption is less than the $180 per month the Company is currently generating per home.

REVENUE

The Company projects that revenues will increase from approximately $900,000 in fiscal year 2001E to over $250 million for the fiscal year 2010E. The revenue growth will be driven primarily by the buildout of the Company's network and bundled service offering to the new single-family home buyers. Additional revenue growth is achievable by the introduction of new products and services and demand for increased bandwidth.

GROSS PROFIT

The regulated or competitive nature of each of these service industries affects the gross profit that can be earned on each particular service. Below is the Company's anticipated revenue and costs of goods sold by service per home. These estimates are based upon the current reported national pricing and cost structure estimates from Arbitron market penetration data, and form the foundation of management's financial forecasts. However, as FMT began servicing its customers, management has found their experience to be more positive. On average, the revenues the Company is achieving for these services are 30 percent higher than the national average while the costs are similar to the national average. Management makes no assertion that these initial revenue per subscriber levels are sustainable. Costs are estimated to fluctuate slightly from year to year as the Company upgrades its services and keeps its equipment current with future technology offerings.

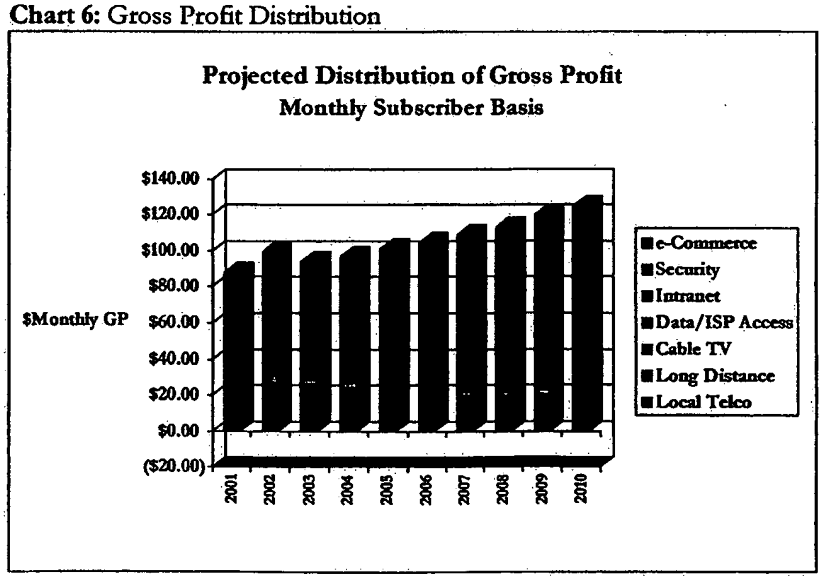
Table 6: Projected Take Rates and Costs

REVENUE	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Local Phone	$33.62	$31.92	$30.30	$27.98	$26.02	$24.72	$23.46	$23.81	$24.44	$25.56
Long Distance	$16.11	$16.54	$15.07	$15.47	$13.00	$11.27	$11.58	$9.68	$9.94	$7.85
Cable TV	$43.95	$44.23	$46.92	$48.82	$50.95	$53.45	$56.16	$59.02	$61.97	$66.46
Data / ISP	$28.33	$29.71	$31.16	$32.69	$34.30	$35.99	$37.77	$39.64	$41.61	$43.67
Intranet*	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50
Security*	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50
Ecommerce	$3.02	$4.31	$5.41	$6.47	$7.76	$8.98	$10.30	$11.83	$13.59	$15.61
	$140.03	$141.71	$143.86	$146.43	$147.03	$149.41	$154.27	$158.98	$166.55	$174.15
COST OF GOODS	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Local Phone	$10.84	$5.21	$4.26	$3.85	$3.72	$3.65	$3.60	$3.68	$3.79	$3.95
Long Distance	$16.35	$12.62	$12.50	$12.82	$11.58	$10.46	$9.77	$8.52	$7.71	$7.35
Cable TV	$9.48	$10.20	$11.04	$11.84	$12.84	$14.08	$15.48	$17.00	$18.59	$21.28
Data / ISP	$12.06	$10.39	$18.49	$17.18	$14.29	$12.83	$12.91	$13.00	$13.09	$13.19
Intranet*	$0.37	$0.37	$0.37	$0.37	$0.37	$0.37	$0.37	$0.37	$0.37	$0.37
Security*	$2.88	$2.88	$2.88	$2.88	$2.88	$2.88	$2.88	$2.88	$2.88	$2.88
Ecommerce	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	$51.98	$41.67	$49.54	$48.94	$45.68	$44.27	$45.01	$45.45	$46.43	$49.02
GROSS MARGIN	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Local Phone	67.76%	83.68%	85.94%	86.24%	85.70%	85.23%	84.65%	84.54%	84.49%	84.55%
Long Distance**	-1.49%	23.70%	17.05%	17.13%	10.92%	7.19%	15.63%	11.98%	22.43%	6.37%
Cable TV	78.43%	76.94%	76.47%	75.75%	74.80%	73.66%	72.44%	71.20%	70.00%	67.98%
Data / ISP	57.43%	65.03%	40.66%	47.45%	58.34%	64.35%	65.82%	67.20%	68.54%	69.80%
Intranet*	95.07%	95.07%	95.07%	95.07%	95.07%	95.07%	95.07%	95.07%	95.07%	95.07%
Security*	61.60%	61.60%	61.60%	61.60%	61.60%	61.60%	61.60%	61.60%	61.60%	61.60%
Ecommerce	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	62.88%	70.59%	65.56%	66.58%	68.93%	70.37%	70.82%	71.41%	72.12%	71.85%

* The actual revenues from Intranet and Security services are $15.00 per service per home; however, the amounts included above assume a 50 percent take rate.

** Initially FirstMile is reselling long distance service at a rate of 6¢ per minute and the volume is not great enough to profitably provide this service at competitive rates. As volume grows the cost of providing this service will decline and margins will improve

Chart 6: Gross Profit Distribution



OPERATING EXPENSES

Operating expenses consists of the following: (i) operational maintenance, which is mainly technicians, tool supplies and maintenance trucks, and (ii) general and administrative expenses. The Company projects operating expenses will increase from $4 million for fiscal year 2001E to approximately $19 million for fiscal year 2010E, representing a 19% CAGR. The increase in operating expenses corresponds to the costs incurred as the Company develops in the four different markets.

EBITDA

The Company projects EBITDA will grow from ($3.9) million for fiscal year 2001E to $159 million for fiscal year 2010E. The Company anticipates that it will begin to generate positive EBITDA beginning in 2003. As the Company scales its operations and increases customer penetration, the Company believes that it will be able to generate EBITDA margins in excess of 60%.

CAPITAL EXPENDITURES

The Company's capital expenditures will consist primarily of the following: (i) outside service plant; (ii) lateral fiber build; (iii) NOC costs; and (iv) variable costs per home including voice ports, cable modem, Internet appliance and set-top boxes. The financial model assumes that the NOC will be co-leased in the Dallas, Denver and Tampa markets, while a NOC has already been built in Indianapolis.

FINANCING ASSUMPTIONS

The projections assume that 75% of the networking equipment and in-home devices are financed at an average interest rate of 12%. The equipment financing is amortized monthly on a straight line basis over a sixty month schedule.

First Mile Technologies, Inc.
Forecasted Statement of Operations - Indianapolis, Denver, Dallas, & Tampa
For the Period Ending

($000s)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Revenue	$ 876	$ 7,090	$ 20,191	$ 40,017	$ 66,588	$ 99,332	$ 138,347	$ 179,974	$ 224,276	$ 266,800
Less: Revenue Sharing	(53)	(425)	(1,211)	(2,401)	(3,995)	(5,960)	(8,301)	(10,798)	(13,457)	(16,008)
Net Revenues	824	6,665	18,979	37,616	62,593	93,372	130,046	169,176	210,819	250,792
Cost of Goods Sold	648	2,036	6,524	12,585	19,630	28,134	38,831	49,665	60,553	72,776
Gross Profit	176	4,629	12,456	25,031	42,963	65,238	91,215	119,510	150,267	178,017
Office / On Site Expense	3,715	4,805	5,994	7,636	9,636	11,792	13,725	15,542	17,259	18,788
Marketing Expenses	380	120	120	120	120	120	120	120	120	120
SG&A	4,095	4,925	6,114	7,756	9,756	11,912	13,845	15,662	17,379	18,908
EBITDA	(3,919)	(296)	6,341	17,275	33,207	53,326	77,370	103,849	132,888	159,109
Interest expense	(96)	(517)	(1,147)	(2,062)	(3,256)	(4,500)	(5,685)	(6,666)	(7,345)	(7,628)
Amortization & Depreciation (10%)	(903)	(1,875)	(3,291)	(5,420)	(8,325)	(11,699)	(15,396)	(19,085)	(22,485)	(25,381)
Pretax Net Income (Loss)	$ (4,918)	$ (2,687)	$ 1,904	$ 9,794	$ 21,626	$ 37,127	$ 56,290	$ 78,098	$ 103,058	$ 126,100
Total Capital Assets	$ 13,306	$ 24,163	$ 41,415	$ 66,181	$ 97,727	$ 133,574	$ 171,296	$ 207,313	$ 238,905	$ 265,813
Less Accumulated Depreciation	(973)	(2,847)	(6,138)	(11,558)	(19,883)	(31,582)	(46,977)	(66,062)	(88,547)	(113,928)
Net Capital Assets	12,333	21,316	35,277	54,623	77,845	101,992	124,318	141,251	150,358	151,885
Cash Balance without Capital contributions	$ (8,528)	$ (16,050)	$ (21,678)	$ (22,553)	$ (13,881)	$ 9,397	$ 52,479	$ 120,497	$ 218,064	$ 343,644
Total Assets	$ 33,869	$ 35,395	$ 43,835	$ 62,451	$ 94,518	$ 142,116	$ 207,683	$ 292,755	$ 399,491	$ 526,617
Total Debt	$ 2,608	$ 6,821	$ 13,358	$ 22,180	$ 32,620	$ 43,091	$ 52,369	$ 59,343	$ 63,020	$ 64,047
Contributed Capital	$ 38,149	$ 38,149	$ 38,149	$ 38,149	$ 38,149	$ 38,149	$ 38,149	$ 38,149	$ 38,149	$ 38,149
Total Retained Earnings	$ (6,888)	$ (9,575)	$ (7,671)	$ 2,122	$ 23,749	$ 60,876	$ 117,165	$ 195,263	$ 298,321	$ 424,421
Total Equity	$ 31,261	$ 28,574	$ 30,478	$ 40,271	$ 61,898	$ 99,025	$ 155,315	$ 233,412	$ 336,470	$ 462,571
Assumed Capital Raise	$ 30,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
# Markets being served	1	4	4	4	4	4	4	4	4	4
Incremental # of Homes Connected		5,880	9,057	12,789	15,860	17,904	18,723	17,529	15,441	13,077
Accumulated # of Homes Connected	2,014	7,894	16,951	29,740	45,600	63,504	82,227	99,756	115,197	128,274
Average revenue per home per month	$ 140.03	$ 141.71	$ 143.86	$ 146.43	$ 147.03	$ 149.41	$ 154.27	$ 158.98	$ 166.55	$ 174.15
Gross Margin per home per month	$ 88.05	$ 100.04	$ 94.32	$ 97.49	$ 101.35	$ 105.14	$ 109.26	$ 113.53	$ 120.12	$ 125.13
Number of Employees	30	38	50	65	86	108	133	157	179	197

GOVERNMENTAL REGULATION

FirstMile's subsidiaries provide telephone and video programming transmission services. As a result, they are subject to extensive federal, state and local governmental regulation. These regulations include, without limitation, the Cable Communications Policy Act of 1984, Telecommunications Act of 1996, and extensive decisional law interpreting the various statutes, rules and regulations.

Notwithstanding the regulatory environment in which FirstMile and its subsidiaries will operate, FirstMile has capitalized on the concept of deregulation and upon the failures of incumbent providers. FirstMile is a service-oriented company that operates a large portion of its business outside the purview of regulation. To the extent it is subject to regulation, FirstMile and its subsidiaries have minimized the effect of the regulatory environment and maximized its pass rate (and therefore, its rate of return) in those areas where regulation is inevitable.

A detailed memorandum discussing governmental regulation and its effect upon FirstMile is available upon request.

RISK FACTORS

The reliability of market data included in this Memorandum is uncertain

Since the Company operates in a new and rapidly changing market, market data from industry publications has been included in the Memorandum. There can be no assurance as to the reliability of these data. Market data used throughout this Memorandum were obtained from internal surveys and industry publications. Industry publications generally state that the information contained in these publications has been obtained from sources believed to be reliable, but that its accuracy and completeness is not guaranteed. Although the Company believes that market data used in this Memorandum is reliable, it has not been independently verified. Similarly, internal Company surveys, while believed by the Company to be reliable, have not been verified by any independent sources.

The Company may not be able to adapt to evolving technologies and customer demands, which could cause business to suffer

The future success of the Company will depend, in part, upon its ability to offer services that incorporate leading technologies, address the increasingly sophisticated and varied needs of its current and prospective customers and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The Company believes that its ability to compete successfully also depends upon the continued compatibility and interoperability of its services with products offered by various vendors. Enhanced or newly developed third-party products may not be compatible with its infrastructure, and such products may not adequately address the needs of its customers. The market for the Company's services is characterized by rapidly changing and unproven technologies, evolving industry standards, changes in customer needs, emerging competition and frequent new service introductions. To be successful, the Company must continually improve the performance, features and reliability of its services and modify its business strategies accordingly. The Company could also incur substantial costs if it needs to modify its services or infrastructure in order to adapt to these changes. The Company's business would suffer if the Company fails to respond to these changes in a timely and cost-effective manner or at all. Technological advances may have the effect of encouraging some of the Company's current or future customers to rely on in-house personnel and equipment to furnish the services that the Company currently provides.

The Company expects to experience variations in revenues and operating results due to many factors

As the Company's business develops and expands, the Company may experience significant quarterly fluctuations in the results of its operations. Because of these fluctuations, comparisons of the Company's operating results from period to period may not be meaningful and should not be relied upon as an indicator of future performance. The Company expects to continue to experience significant fluctuations in its quarterly and annual results of operations due to a variety of factors, many of which are outside the Company's control. These factors include:

- Demand for and market acceptance of the Company's services;
- Introductions of products or services or enhancements by the Company and its competitors;
- Customer retention;
- Timing and success of the Company's advertising and marketing efforts and service introductions;

- Timing and magnitude of capital expenditures;
- Increased competition in the residential bundled services market;
- Changes in the Company's pricing policies and the pricing policies of its competitors;
- Gains or losses of key strategic relationships; and
- Other general and industry-specific factors.

The Company has experienced increasing negative EBITDA, operating losses and net losses, which will continue

The Company may not achieve or sustain positive EBITDA, operating income or net income in the future. Since the Company's formation, the Company has generated increasing negative EBITDA and larger operating losses and net losses. The Company has not achieved profitability and expects to continue to incur increasing negative EBITDA, operating losses and net losses in 2001 and possibly for the forseeable future. In addition, the Company expects to continue to incur significant development costs and, as a result, the Company will need to generate significant revenue to achieve profitability, which may not occur.

The Company is expected to grow rapidly and its business model is still evolving, which makes it difficult to evaluate the Company's prospects

The Company has grown its business rapidly and has experienced significant losses in its efforts to penetrate the residential bundled services market. The Company's limited operating history makes it difficult to evaluate the execution of its business model thus far. The Company will continue to make substantial capital expenditures in rolling out its networks before it can assess whether its business plan can be successfully executed. Furthermore, because the market for services of community communications providers is not well established, it is difficult to compare the performance and prospects of the Company to its competitors.

The Company is a start-up company and if it does not grow quickly, its success will be limited

The Company began operating its first community in September of 1999 and must grow to become profitable. Because the communications industry is capital intensive, rapidly evolving and prone to significant economies of scale, as a relatively small organization with limited financing resources, the Company is at a competitive disadvantage. The growth the Company must achieve in order to reduce that disadvantage will put a strain on all of its resources. In particular, the Company may require substantial additional capital to finance its operations in the future according to its current business plan. If the Company fails to grow rapidly or obtain additional capital, its ability to compete with larger more established companies will be substantially reduced.

The Company must obtain additional agreements with developers/builders or its growth will be constrained

The Company's business depends significantly upon its ability to install community networks. The failure of developers/builders to grant or renew access rights on acceptable terms could substantially reduce the Company's potential customer base. Developers/builders may decide not to permit the Company to install its networks in their communities.

The Company must purchase capacity from third parties who may be unable or unwilling to meet its requirements

The Company constructs community networks and generally relies on other communications carriers to provide transmission capacity outside the communities. Its failure to obtain adequate connections from other carriers on a timely basis could delay or impede its ability to provide services and generate revenue. Sufficient capacity or redundant capacity may not be readily available from third parties at commercially reasonable rates, if at all. Its failure to obtain sufficient redundant connectivity could result in an inability to provide service in certain communities and service interruptions, which could in time lead to loss of customers and damage to its reputation.

The Company could suffer from a reduction or interruption from its suppliers

The Company purchases equipment, leases circuits and resells services from various vendors. Any reduction in or interruption of deliveries from its major suppliers, could delay its plans to install community networks, impair its ability to acquire or retain customers and harm its business generally. In addition, the price of the equipment, circuits and/or wholesale services that the Company purchases may substantially increase over time, increasing the costs the Company pays in the future. It could take a significant period of time to establish relationships with alternative suppliers for each of its technologies and substitute their technologies into its networks.

The Company must make significant capital expenditures before generating revenue, which may prove insufficient to justify those expenditures

When the Company installs a community network, the Company incurs significant initial expenditures. If the Company fails to attract enough customers within each community, its capital expenditures in that community will be wasted. These expenditures vary depending on the size of the community and whether the Company encounters any construction-related difficulties. In addition, the Company typically installs a community network before the Company has any customers in that community. Since the Company generally does not solicit customers within a community until its network is in place, and since its costs can vary, the Company may not be able to recoup its expenditures within any community.

The Company must attract and retain key personnel in a tight labor market or the Company will be unable to manage its growth

The Company's future success will be dependent upon hiring a qualified Chief Executive Officer. Although the Company is in an active search, there can be no assurances as to when or if such a candidate will be hired. The Company believes that it will need to hire significant additional personnel, including technical and sales personnel, over the next few years. There currently is intense competition for personnel with the qualifications the Company requires. The loss of the services of key personnel or the failure to attract additional personnel as required could have a material adverse effect on its ability to grow. Tha Company is highly dependent upon the efforts of its existing senior management team. The Company believes that its future success will depend in large part on its ability to attract and retain qualified technical and sales personnel.

Government regulation could adversely affect the Company

The Company is subject to numerous local regulations in its particular communities. In addition, changes in the telecommunications regulatory environment could adversely affect its operating results by increasing competition, decreasing revenue, increasing costs or impairing its ability to offer services.

The Company's decision to provide traditional voice and other basic telecommunications services subject the Company to substantial regulation. The provision of basic telecommunication services is subject to significant regulation at the federal and state level, including the requirement of obtaining (and maintaining) authority to provide such services from state utility commissions. The FCC regulates interstate and international telecommunications services. State public utility commissions and municipalities exercise jurisdiction over intrastate telecommunications services. Many of the Company's services, especially its voice services, are subject to federal, state and/or local telecommunications regulation, including special telecommunication fees and taxes. To the extent the Company has failed to comply with all applicable regulations or experiences delays in obtaining required approvals, its business could be harmed. Additionally, compliance with the regulatory requirements may be costly. Regulations governing telecommunications services also change from time to time in ways that are difficult to predict. To the extent these regulations are ever extended to Internet access services, the burdens would be even more pronounced.

The sector in which the Company operates is highly competitive and the Company may not be able to compete effectively

The Company faces competition from many entities with significantly greater financial resources, well-established brand names and larger customer bases. The numerous companies that may seek to enter its niche may expose the Company to severe price competition for its services or for community access rights. The Company expects competition to intensify in the future. The Company expects significant competition from traditional and new telecommunications companies, including local, long distance, cable modem, Internet, digital subscriber line, microwave, mobile and satellite data providers. If these potential competitors successfully focus on the Company's niche, there may be intense price competition, which could impede its ability to become profitable.

Single service providers. FirstMile faces competition from companies that offer a single service such ILECS, CLECS, cable television providers and ISPs. These companies typically rely on existing technology infrastructure to deliver their services. FirstMile faces, and expects to continue to face, significant competition for long distance telephone services from the inter-exchange carriers ("IXCs"), including AT&T, Sprint and MCI WorldCom. The Company competes with the incumbent local exchange carriers ("ILECs") for the provision of local telephone services, as well as with alternative service providers including CLECs. Certain FirstMile video service businesses will compete with incumbent wireline cable companies in their respective service areas to acquire rights to provide service to new developments. These companies include Time-Warner Cable, Cablevision, and AT&T Broadband. Alternative video distribution technologies include traditional cable networks, wireless local video-distribution technologies, and home satellite dish ("HSD") earth stations. As for Internet service, the Company faces competition from established online services, such as America Online, the Microsoft Network and Prodigy and local, regional and national ISPs such as PSINet, EarthLink, Mindspring and Rocky Mountain Internet; the Internet services of national and international telecommunications companies, such as AT&T, GTE, MCI WorldCom and Cable & Wireless.

Multiple bundled services. The existing multiple bundled service providers focus on high-density, high-use segments such as businesses, office buildings, and multifamily

developments. These companies provide services such as bundled telecom services including basic cable, premium cable, high speed Internet, and community Intranet. Competition in this space includes companies such as Advanced Broadband, Clearworks, Competisis and Cox Communications, Inc.

Residential bundled services. There are a few bundled service providers that compete with FirstMile in the single family detached home market. Most of these competitors focus on densely populated areas where the infrastructure cost can be spread over a greater number of customers. Competitors in this sector include Broadbandnow, Excite@home, DTE, Tess Communications and RCN.

FirstMile may require additional capital to complete our network buildout and to fund its infrastructure, product development and other needs, and an inability to obtain such capital could prevent FirstMile from implementing its business plan

As the Company's business is still at an early stage, it must continue to make significant investments in the development of our network infrastructure in anticipation of potential growth in our business. FirstMile believes that the net proceeds from the Offering, together with existing cash, cash equivalents and capital lease financing, will be sufficient to fund our aggregate capital expenditures and working capital requirements, including operating losses, for the buildout of the Company's four markets of Indianapolis, Dallas, Denver and Tampa and to achieve profitability. However, there are no assurances that FirstMile will be able to raise $30 million in the Offering. Further, FirstMile may need to raise additional funds if its estimates of working capital, capital expenditure or lease financing requirements change or prove inaccurate, or if FirstMile is forced to respond to unforeseen technological or marketing hurdles or to take advantage of unanticipated opportunities. Over the longer term, it is likely that FirstMile will require substantial additional funds to continue to fund our infrastructure investment, product development, marketing, sales and customer support needs and grow in the four markets and to expand into other markets. FirstMile may need to raise funds through public or private equity or debt financings.

If funds are raised through the issuance of equity securities, the ownership percentage of our then-current shareholders will be diluted and the holders of new equity securities may have rights, preferences or privileges senior to the Series C Stock. If additional funds are raised through a bank credit facility or the issuance of debt securities, the holder of such indebtedness would have rights senior to the rights of the holders of Series C Stock and the terms of this indebtedness could impose restrictions on FirstMile's ability to incur additional indebtedness and also on its operations, which could impede the successful completion of FirstMile's business plan. There can be no assurance that any such funds will be available at the time or times needed, or on terms acceptable to FirstMile. If adequate funds are not available, or are not available on acceptable terms, FirstMile may not be able to continue its network implementation, develop new products and services or otherwise respond to competitive pressures. Such inability could have a material adverse effect on FirstMile's business, operating results and financial condition.

FirstMile has not paid and does not intend to pay cash dividends on its capital stock

FirstMile has not paid any dividends on its capital stock, and it does not intend to pay cash dividends in the foreseeable future on its capital stock.